92-2268

A	AAON INC	10Q	03-31-92
B	BEVERLY HILLS BANCORP	10Q	03-31-92
C	BIO-MANUFACTURING INC	10Q	03-31-92
D	COMCAST CORP	10Q	03-31-92
E	COMMUNITY BANCORP INC (VT)	10Q	03-30-92
F	ELIZABETHTOWN GAS CO	10Q	03-31-92
G	FIBRONICS INTERNATIONAL INC	10Q	03-31-92
H	FIRST CONTINENTAL BANCSHARES INC	10Q	03-31-92
I	FIRST-KNOX BANC CORP	10Q	03-31-92
J	KRISCH AMERICAN INNS INC	10Q	03-31-92
K	LLOYD'S SHOPPING CENTERS INC	10Q	03-28-92
L	LE PEEP RESTAURANTS INC	10Q	03-21-92
M	PCI SERVICES INC	10Q	03-31-92
N	PEOPLES BANCSHARES OF POINTE COUPEE PARISH	10Q	03-31-92
O	QUESTAR PIPELINE CO	10Q	03-31-92
P	RANDOM ACCESS INC	10Q	02-29-92
Q	ZIONS BANCORPORATION	10Q	03-31-92

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

Commission file number: 33-183336-LA

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AAON, INC.
(Exact name of registrant as specified in its ch

Nevada
(State or other jurisdiction
of incorporation)

87-0448736
(IRS Employer
Identification No.)

2425 South Yukon, Tulsa, Oklahoma 74107
(Address of principal executive offices)
(Zip Code)

(918) 583-2266
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _____ No _X_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date. 22,150,318 shares of $.001 par value Common Stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

On pages 2 through 8 of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Material Changes in Financial Condition. The $1,308,000 increase in accounts receivable is a reflection of the higher volume of sales in the first quarter of 1992 (attributed to the added sales of CP/AAON, Inc., which acquired the assets of Coils Plus, Inc., in December, 1991), as compared to the same quarter in 1991. Current liabilities increased during the three-month period ended March 31, 1992, from $6,874,000 to $7,543,000 due to a $1,740,000 increase in borrowings under the Company's revolving credit facility, offset by reductions of accounts payable ($741,000) and accrued liabilities ($330,000).

Material Changes in Results of Operations. Sales increased by $1,307,000 during the three-month period ended March 31, 1992, compared to the first quarter of 1991. Gross profit increased to 12.7% during the first quarter of 1992, compared to 11.4% in 1991, reflecting primarily a reduction in manufacturing expenses. Selling, general and administrative expenses increased by $133,000 during the first quarter of 1992, due to the addition of CP/AAON. Interest expense reduced slightly ($36,000) even with the addition of CP/AAON.

Liquidity and Capital Resources. The capital needs of the Company are met primarily by its bank revolving credit facility. Management believes this bank debt (or comparable financing) and projected profits from operations will provide the necessary liquidity and capital resources to the Company for at least the next five years. The Company's belief that it will have the necessary liquidity and capital resources is based upon its knowledge of the HVAC industry and its place in that industry, its ability to limit the growth of its business if necessary and its relationships with its existing bank lender.

The Company's revolving credit agreement (which currently extends to May 31, 1992) provides for maximum borrowings of $5 million. Interest on this loan is payable monthly at the Chase Manhattan Bank prime rate plus 1-1/2%. Availability of funds under the agreement is based on 80% of eligible accounts receivable plus 50% of inventory.

The Company also has had the benefit of $1,950,000 of subordinated loans from stockholders (due September 30, 1993) and a $3,000,000 (reduced to $2,600,000 as of March 31, 1992) bank term loan on its manufacturing facility and equipment [repayable at the rate of $25,000 of principal (plus interest) per month through October 31, 1993, and a "balloon" of the balance on November 30, 1993].

Trends. While the Company's sales were higher in the first quarter of 1992 due to the addition of CP/AAON, the sales of both AAON, Inc., and CP/AAON were lower than a year ago reflecting the national downturn in new construction. The Company anticipates an improvement in overall financial results during the balance of 1992.

AAON, Inc.

Consolidated Balance Sheets

	MARCH 31, 1992 *	DECEMBER 31, 1991
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash	$ <226>	$ 296
Accounts receivable	4,370	3,062
Inventories	3,995	3,954
Prepaid expenses	54	44
Deferred income tax	120	220
Total current assets	8,313	7,576
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	185	185
Buildings	2,596	2,551
Machinery and equipment	3,290	3,285
Furniture and fixtures	200	180
	6,271	6,201
Less-accumulated depreciation	814	699
Net property, plant and equipment	5,457	5,502
OTHER ASSETS	1,283	1,231
	$ 15,053	$ 14,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,268	$ 3,009
Accrued liablilities	1,000	1,330
Current maturities of long-term debt	463	463
Revolving credit agreement	3,812	2,072
Total current liabilities	7,543	6,874
LONG-TERM DEBT	3,427	3,393
LONG-TERM DEBT- RELATED PARTIES	1,950	1,950
STOCKHOLDERS' EQUITY:		
Common stock, $.001 par, 50,000,000 shares authorized, 22,150,318 issued and outstanding	22	22
Additional paid-in capital	984	984
Retained earnings	1,127	1,086
Total stockholders' equity	2,133	2,092
	$ 15,053	$ 14,309

* Unaudited

AAON, Inc.

Consolidated Statements of Operations

(In Thousands)

	Three Months Ended MARCH 31, 1992 *	Three Months Ended MARCH 31, 1991 *
Sales, net	$ 6,978	$ 5,671
Cost of sales	6,091	5,027
Gross profit	887	644
Selling, general and administrative expenses	642	509
Income from operations	245	135
Interest expense	197	233
Amortization and other expense	<72>	17
Net income before profit sharing	120	<115>
Profit sharing	51	- 0 -
Income before income taxes	69	<115>
Income tax provision	28	- 0 -
Net income	$ 41	$ <115>
Net income per share	$ .001	$ <.01>

* Unaudited

AAON, Inc.

Consolidated Statements of Stockholders' Equity

	COMMON STOCK		PAID IN	ACCUMULATED	
	SHARES	AMOUNT	CAPITAL	EARNINGS	TOTAL
BALANCE, DECEMBER 31,1991	22,150,318	$ 22,000	$ 984,000	$1,086,000	$ 2,092,000
NET INCOME	- 0 -	- 0 -	- 0 -	$ 41,000	$ 41,000
BALANCE, MARCH 31, 1992	22,150,318	$ 22,000	$ 984,000	$1,127,000	$ 2,133,000

AAON, Inc.

Consolidated Statements of Cash Flow

(In Thousands)

	Three Months Ended MARCH 31, 1992 *	Three Months Ended MARCH 31, 1991 *
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 41	$ <115>
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	115	72
Change in assets and liabilities, <Increase> decrease in accounts receivable	<1,308>	1,322
<Increase> decrease in inventories	<41>	162
<Increase> decrease in prepaid expenses	90	4
Increase <decrease> in accounts payable	<741>	<473>
Increase <decrease> in accrued liabilities	<330>	<110>
Total adjustments	<2,213>	977
Net cash provided by operating activities	<2,174>	862
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	70	<17>
Payments for other assets	52	1
Net cash used in investing activities	122	<16>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing under revolving credit agreement	4,725	3,025
Payments under revolving credit agreement	<2,985>	<4,267>
Payments on long-term debt	34	<100>
Proceeds from paid in capital	- 0 -	- 0 -
Net cash provided by financing activities	1,774	<1,342>
NET CHANGE IN CASH	<522>	<496>
CASH, beginning of period	296	357
CASH, end of period	$ <226>	$ <139>

* Unaudited

AAON, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1992

1. BASIS OF PRESENTATION:

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures made in these financial statements are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in the Company's latest audited financial statements which were included in the Form 10-K Report for the fiscal year ended December 31, 1991, filed by AAON, Inc. with the SEC. Management believes that no adjustments to the financial statements are necessary.

2. INVENTORIES:

Inventories at March 31, 1992, and December 31, 1991, consist of the following:

	March 31, 1992	December 31, 1991
Raw Materials	$3,321,000	$2,919,000
Work in Process	133,000	613,000
Finished Goods	541,000	422,000
	$3,995,000	$3,954,000

3. REVOLVING CREDIT AGREEMENT:

The Company has a revolving credit agreement with a bank which was renegotiated in April 1991. It provides for maximum borrowing of $5,000,000. Interest on the agreement is payable monthly at the Chase Manhattan Bank prime rate plus one and one-half percent. A commitment fee of one-half percent per annum is payable on the average daily unborrowed amount. Outstanding borrowings were $3,812,000 at March 31, 1992. Availability of funds under the agreement is based on 80 percent of eligible accounts receivable plus 50 percent of inventory. The agreement is collateralized by present and future accounts receivable, contracts, intangibles and inventory. In addition, the stock of the Company's wholly owned subsidiary, AAON, Inc. (Okla.), has been pledged as collateral on the agreement. The revolving credit agreement expires on May 31, 1992. The agreement along with the term loan agreement described in Note 4 requires, among other things, that the Company maintain a minimum net worth, maintain a minimum tangible net worth plus subordinated debt, maintain minimum working capital and maintain a minimum debt to tangible net worth ratio.

4. LONG-TERM DEBT:

Long-term debt at March 31, 1992, consists of the following:

	March 31, 1992	December 31, 1991
Bank term loan agreement, payable in monthly principal payments of $25,000 beginning in December 1990 through November 1993, plus interest payable monthly at Chase Manhattan Bank prime plus 1½%, collateralized by machinery, equipment and real estate.	$2,600,000	$2,675,000
10% subordinated indentures to stockholders, principal payable in September 1993, interest payable quarterly.	1,950,000	1,950,000
Other	1,330,000	1,181,000
	$5,880,000	$5,806,000
Less Current Maturities	503,000	463,000
	$5,377,000	$5,343,000

5. EARNINGS PER SHARE:

Earnings per share have been calculated by dividing net income by the number of AAON shares outstanding (22,150,318 shares).

6. FOOTNOTES INCORPORATED BY REFERENCE:

Certain footnotes are applicable to the financial statements, but would be substantially unchanged from those presented in the December 31, 1991, 10-K filed with the SEC. Accordingly, reference should be made to such report for the following:

Note	Description
1	Operations and Organization
2	Accounting Policies
5	Commitments and Contingencies
6	Income Taxes
7	Major Customers
9	Warrants Registered and Exercised

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - None.

(b) Reports on Form 8-K. Registrant filed two reports on Form 8-K during the period from January 1, 1992, to March 31, 1992. The first such report was dated January 15, 1992, and disclosed under Item 5, Other Events, Registrant's unaudited balance sheet dated November 30, 1991, for the purpose of substantiating compliance with the "Capital & Surplus" NASDAQ qualification standard. The second such report was dated February 24, 1992, and disclosed under Item 5, Other Events, an amendment of Registrant's Revolving Credit and Term Loan Agreement, which increased the commitment amount thereunder from $4.5 million to $5 million.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AAON, INC.

Dated: May 14, 1992

By: John B. Johnson
John B. Johnson, Jr.
Secretary

Dated: May 14, 1992

By: William A. Bowen
William A. Bowen
Vice President - Finance

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992.

B92-22608

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File No. 0-4559.

BEVERLY HILLS BANCORP
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

95-2588374
(I.R.S. Employer Identification No.)

100 Wilshire Boulevard
Suite 1940
Santa Monica, California
(Address of principal executive offices)

90401
(Zip Code)

(213) 395-7754
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___.

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of March 31, 1992, 1,194,432 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BEVERLY HILLS BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(unaudited)

ASSETS	March 31, 1992	December 31, 1991
Cash and cash equivalents	$4,999,627	$4,406,945
Accrued rent, interest and other receivables	69,590	288,507
Investment in non-affiliated entity	200,000	200,000
Interest in real estate partnership	7,620	7,749
Land	503,639	503,639
Furniture and equipment, net	2,568	420
	$5,783,044	$5,407,260

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
Accrued expenses and accounts payable	$ 57,744	$ 46,174
Current and deferred income taxes	23,929	89,451
	81,673	135,625
Minority Interests	420,647	--
Stockholders' equity:		
Preferred stock - without par value; authorized 500,000 shares; none issued		
Common stock - $1 par value; authorized 3,500,000 shares; issued and outstanding-1,194,432 shares stated value	1,433,619	1,433,619
Capital surplus	3,125,827	3,121,375
Retained earnings accumulated since July 1, 1985	721,278	716,641
Total Stockholders' Equity	5,280,724	5,271,635
	$5,783,044	$5,407,260

See notes to consolidated financial statements.

BEVERLY HILLS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31,	
	1992	1991
INCOME:		
Interest, royalties, dividends and other	$ 43,824	$ 73,422
Rent	45,500	45,500
	89,324	118,922
EXPENSES:		
Payroll and other employee costs and expenses	18,476	16,253
Consulting and directors' fees	20,250	14,250
Communication expenses	9,511	8,770
Legal and accounting fees	16,458	33,180
Occupancy expenses	9,333	7,135
Other expenses	35	118
	74,063	79,706
INCOME BEFORE PROVISION FOR INCOME TAXES	15,261	39,216
PROVISION FOR INCOME TAXES	10,624	13,846
NET INCOME	$ 4,637	$ 25,370
NET INCOME PER SHARE (based on 1,194,432 shares outstanding)	$ .00	$ .02

See notes to consolidated financial statements.

BEVERLY HILLS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock				
	Number of Shares	Stated Value	Capital Surplus	Retained Earnings	Total Stockholders' Equity
Balance, December 31, 1991	1,194,432	$1,433,619	$3,121,375	$716,641	$5,271,635
Net income for nine months ended March 31, 1992				4,637	4,637
Reduction of federal income taxes arising from utilization of net operating losses incurred prior to reorganization			4,452		4,452
Balance, March 31, 1992	$1,194,432	$1,433,619	$3,125,827	$721,278	$5,280,724

See notes to consolidated financial statements.

BEVERLY HILLS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31, 1992	1991
Cash Flows from Operating Activities:		
Net income	$ 4,637	$25,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	156	127
(Increase) decrease in accrued rent, interest and other receivables	218,917	141,577
Decrease in interest in real estate partnership	129	129
Increase (decrease) in accrued expenses and accounts payable	11,570	20,930
Increase (decrease) in current and deferred income taxes payable	(65,522)	(29,703)
Reduction of federal income taxes arising from utilization of net operating losses incurred prior to reorganization	4,452	9,849
Total Adjustments	169,702	142,909
Net cash provided by operating activities	174,339	168,279
Cash Flows From Investing Activities:		
Purchase of Furniture and Equipment	(2,305)	--
Investments in Acquired Subsidiaries	(428,500)	--
Cash in Acquired Subsidiaries	849,148	--
Collections of notes receivable collateralized by trust deeds	--	4,510
Net cash provided by investing activities	592,682	4,510
Cash and Cash Equivalents, beginning of period	4,406,945	4,247,817
Cash and Cash Equivalents, end of period	$4,999,627	$4,420,606
Supplemental Disclosure of Cash Flow Information -- Cash Paid During the Period for Income Taxes	$74,000	$33,700

See notes to consolidated financial statements.

BEVERLY HILLS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MARCH 31, 1991

Note 1. Reorganization Proceeding

Beverly Hills Bancorp (the "Company") commenced a proceeding for reorganization under Chapter X of the Bankruptcy Act on April 11, 1974 with the appointment of a Trustee by the Court on April 15, 1974, at which time the Trustee succeeded to legal title to the Company's assets. An Order confirming a Joint Plan of Reorganization was entered by the United States District Court on April 16, 1985 and, on July 1, 1985, the Trustee transferred the assets of the Estate to the reorganized Company. See Note 4 regarding further developments in this case.

Note 2. Basis of Presentation

The basis of presentation and accounting policies have not changed from those set forth in the notes to the Company's annual report on Form 10-K for the year ended December 31, 1991.

The cash flow of the Company and its subsidiaries results principally from interest income on short-term investments in United States Treasury obligations, rental income and dividends.

Note 3. Adjustments

In the opinion of the Company, the accompanying unaudited consolidated financial statements include all adjustments necessary for a fair presentation of the consolidated financial statements for those periods.

Note 4. Legal Proceedings

In June 1989 a motion was filed in the United States Bankruptcy Court for the Central District of California (the "Court") to reopen the bankruptcy case referred to in Note 1, above, in order to consider a motion to declare the plan of reorganization in default, to adjudge the Company bankrupt and to order liquidation of the Company. The Court granted the initial motion to reopen the bankruptcy proceeding. The Court subsequently ruled in favor of the Company and denied the motion to declare the plan of reorganization in default, to adjudge the Company bankrupt and to order bankruptcy liquidation. An appeal to this ruling was denied in an oral ruling from the bench, but to which no written order to enter a judgment has been issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Interest income for the three months ended March 31, 1992 decreased $28,336, approximately 39%, to $43,440 as compared to the same period of 1991. The decrease was principally due to a decrease from 6.49% to 3.54% in the average interest rate the Company earned on its invested funds.

Total expenditures for the three months ended March 31, 1992 decreased $5,643 as compared to the same period of 1991. The decrease was primarily due to a substantial reduction in accounting fees which had been expended in 1991 as the result of the filing of a protest by the Company against the proposed assessment of additional taxes by the California Franchise Tax Board which proposed assessment was withdrawn in April 1991. This decrease was offset in part by expenses incurred in connection with the Company's move into new office space and legal and consulting fees incurred in connection with the Company's acquisition of majority interests in two companies.

Net income for the three months ended March 31, 1992 was $4,637, as compared to $25,370 for the three months ended March 31, 1991 after provision for income taxes of $10,624 and $13,846 respectively. Although the Company has a net operating loss carryforward, it is required, as a result of a reorganization, to report income as if no tax loss carryforward existed. However, since the Company's tax status is not affected by the reorganization it is entitled to a reduction of federal income taxes arising from utilization of the net operating losses incurred prior to reorganization. Such reduction, which amounted to $4,452 in 1992, and $9,849 in 1991 are credited to capital surplus rather than being reported in the income statement.

Liquidity and Capital Resources

Except for the acquisition in January 1992 of a 50.22% interest in Electronic Data Controls Corporation, for which the Company expended approximately $313,500, and the acquisition of a 50.62% interest in Upward Technology Corporation in March 1992 for which the Company expended approximately $115,000, there has been no material change in the financial condition of the Company since December 31, 1991. The major portion of the Company's assets is in the form of cash or cash equivalents, and there were no commitments for capital expenditures as of the end of the year.

Management believes that the Company, because of its liquidity and capital resources, remains in an excellent position to negotiate a merger or additional acquisitions.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 6. Exhibits and Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEVERLY HILLS BANCORP

Date: May 26, 1992

By____________________________
Albert M. Zlotnick
President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT of 1934

For the First Quarter Ended March 31, 1992 Commission File Number 33-34236

BIO-MANUFACTURING, INC.

Exact Name of Registrant as Specified in its Charter

Minnesota	41-1545188
State of Incorporation	IRS Employer Identification No.

623 HOOVER STREET NE, MINNEAPOLIS, MINNESOTA 55413
Telephone Number: (612) 378-1180

Securities Registered Pursuant to Section 12(b) OF THE ACT: None
Securities Registered Pursuant to Section 12(g) OF THE ACT: 4,421,544

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such short period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Aggregate market value of voting stock held by non affiliates of registrant as of March 31, 1992 was approximately $274,578.

The number of shares of each class of common stock outstanding on March 31, 1992 was:

Common Stock, $.01 par value	4,421,544 Shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIO-MANUFACTURING, INC.

BALANCE SHEETS

ASSETS

	March 31, 1992	September 30, 1991
Current assets		
Cash	$ 139,935	$ 386,826
Accounts receivable	293,198	380,915
Inventory	186,271	606,931
Other current assets	4,976	7,051
Total current assets	624,380	1,381,723
Leasehold improvements & equipment		
Leasehold improvements	390,163	390,164
Equipment	530,108	526,299
	920,271	916,463
Less accumulated depreciation	(534,886)	(458,725)
	385,385	457,738
	$1,009,765	$1,839,461

BIO-MANUFACTURING, INC.

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992	September 30, 1991
Current liabilities		
Current portion of LTD	$ 78,893	$ 82,981
Accounts payable	65,319	207,199
Accrued liabilities		
Wages and salaries	29,777	44,102
Other	42,624	79,014
Total current liabilities	216,613	413,296
Long-term debt, less current	0	36,576
Shareholders' equity		
Common stock $.01 par value; shares authorized:20,000,000 shares issued and outstanding:4,421,544 at December 31, 1991 and September 30, 1991	44,215	44,215
Capital in excess of par value	2,363,008	2,363,008
Accumulated deficit	(1,491,090)	(894,653)
Less shareholders' notes receivable	(122,981)	(122,981)
	793,152	1,389,589
	$1,009,765	$1,839,461

BIO-MANUFACTURING, INC.

STATEMENT OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Net revenues	$ 75,831	$ 656,534	$ 417,776	$ 1,326,330
Cost of revenues	444,724	435,927	765,382	960,153
Gross Profit (loss)	(368,893)	220,607	(347,606)	366,177
General/Administrative/Technical	118,291	143,058	249,426	250,316
Income (loss) from operations	(487,184)	77,549	(597,032)	115,861
Other income (expense)				
Interest income	1,191	15,065	4,705	24,743
Interest expense	(1,853)	(14,715)	(4,110)	(26,014)
Net income (loss)	$ (487,846)	$ 77,899	$ (596,437)	$ 114,590
Net income (loss) per common share	$ (.11)	$ .02	$ (.13)	$ .03
Weighted average common shares outstanding	4,421,544	4,256,276	4,421,544	4,256,276

BIO-MANUFACTURING, INC.

STATEMENT OF CASH FLOWS

	Six Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net gain(loss)	$ (596,437)	$ 114,202
Adjustments to net loss:		
Depreciation	76,162	62,872
(Increase)Decrease in assets:		
Accounts receivable	87,717	(123,221)
Inventories	420,660	(205,716)
Other current assets	2,075	(830)
(Decrease)Increase in liabilities:		
Accounts Payable	(141,880)	13,020
Accrued liabilities	(50,714)	4,660
Net cash (used in) operating activities	$ (202,417)	$ (135,013)
Cash flows from investing activities:		
Purchase of leasehold improvements and equipment	(3,809)	(332,224)
Net cash flows (used in) investing activities	$ (3,809)	$(332,224)
Cash flows from financing activities:		
Payments on short-term notes		(575,500)
Borrowing on short-term notes		500,000
Payments on long-term obligation	(40,665)	(37,547)
Payments for deferred offering costs		13,973
Proceeds from issuance of common stock		587,220
Net cash provided from(used in)financing activities	$ (40,665)	$ 488,146
Increase(decrease) in cash and cash equivalents	$ (246,891)	$ 20,909
Cash and cash equivalents at beginning of year	$ 386,826	$ 384,766
Cash and cash equivalents at end of six months	$ 139,935	$ 405,675

Supplemental disclosure of cash flow information:
For six months ended March 31, 1992 and 1991, interest paid was approximately $4,110 and $26,014 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND ANALYSIS OF FINANCIAL POSITION AND LIQUIDITY

Financial Position and Recent Events

On March 31, 1992, the Company had working capital of $407,767 and a working capital ratio of 2.88 to 1 compared to working capital of $968,427 and a working capital ratio of 3.34 to 1 on September 30, 1991. In light of the near completion of the merger with Bioplasty, Inc, the Company has allowed its revolving credit line of $500,000 to expire and currently has not negotiated any new limit.

The Company has been informed by its sole customer, Bioplasty, Inc.(BPI), that until certain issues are settled with the FDA, there is currently no demand for the Implants and no assurance has been given to the Company that demand will return to the 1991 levels in the near future, if at all. Presently, Bioplasty, Inc. is not commercially marketing any breast implants in the United States or foreign markets, since BPI has stated that it has decided to leave the silicone gel-filled market and has withdrawn all breast implant products from the foreign markets. BPI also states that it intends to resubmit an IDE on MISTI GOLD. The approval by the FDA would initiate the start of clinical studies in the U.S. and the request of *801(e)* export authorization from the FDA. Since the resumption of sales is uncertain, the Company has reduced its employee level significantly to approximately 11, from a high of approximately 94.

The Company's activities are currently focused on correcting certain Good Manufacturing Practices (GMP's) deviations recently identified by an FDA examination. Future production of implants by the Company is contingent upon the Company and BPI's correction of the GMP deviations to the FDA's satisfaction. In light of Bioplasty's withdrawal from domestic and foreign markets in March and April 1992, as well as GMP deficiencies listed by the FDA in March, an additional reserve of approximately $250,000 been charged to operations in the second quarter ended March 31, 1992. Although future events can not be estimated with certainty, BMI believes that its current financial position and operational expenses would reasonably allow it to continue in existence for the next twelve month period, even in the event that the BPI and BMI merger and the correction of GMP deviations and receipt of MISTI GOLD export approvals do not occur within that time.

The Company is named in a Complaint alleging one instance of claimed damages concerning Implants. The Company has answered the Complaint and parties are commencing efforts as to discovery and class certification of status. it is managements opinion that no significant material adverse effects on the financial position of the Company will occur as a result of the settlement of this issue. The Company stands by its high level of quality in manufacturing Implants in accordance with the specification established by Bioplasty, Inc. The Company was previously named as a defendant in a patent infringement suit lodged by McGhan has been settled by Bioplasty, Inc. at no cost to BMI.

In October 1991, the Company and Bio-Manufacturing Inc. Acquisition Corp., a wholly-owned subsidiary of Bioplasty, Inc., entered into an agreement to merge. Pursuant to the agreement, Bioplasty, Inc. would issue to BMI shareholders one(1) share of BPI Common Stock for each 10 shares of BMI, equaling approximately 440,000 shares of BPI stock. The merger will be voted upon by the Bio-Manufacturing, Inc. shareholders of record as of April 30, 1992 on May 27, 1992 and if approved, would result in certain operational efficiencies within the administrative and regulatory functions. In early February 1992, BPI announced it was planning to spin off its Urological business, including the product Microplastique (formerly Uroplastique) Micro-Implants, to its shareholders in the form of a stock dividend. BPI has indicated that the record date for the urological business spin-off will be subsequent to the record date for the merger of the Company and BMI Acquisition Corp.

Results of Operations

Quarter Ended March 31, 1992
Compared to March 31, 1991

Net revenues for the three months ended March 31, 19921 were $75,831 compared to $656,534 for the three months ended March, 1991. Net loss for the three months ended March 31, 1991 was ($487,184) compared to a net profit of $77,549 for the three months ended March 31, 1991. The Company's decrease in sales is reflective of the intense scrutiny by the FDA of mammary prostheses of the type manufactured by the Company and the fact that Bioplasty, Inc., the Company's sole customer has withdrawn from the silicone gel-filled market.

Inflation and Changing Prices

Inflation and changing prices have not had a significant impact on the operations or growth of the Company over the past three years, nor are they expected to be significant factors in the foreseeable future. Charges to income for depreciation approximate current costs and prevent distortion of income. Furthermore, the expenses the Company incurs and the resource base from which it currently manufactures are not by nature subject to cyclical or uneven cost acceleration.

FINANCIAL STATEMENTS

The interim financial statements are unaudited but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. All such significant adjustments for the period are of a normal recurring nature unless described further in this SEC Form 10Q. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report for the year ended September 30, 1991.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

None of the items contained in Part II of Form 10-Q are applicable to the Company for the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

BIO-MANUFACTURING, INC.

May 19, 1992

BY: Mark Nosbush

Mark Nosbush
Chairman
Joint Chief Executive Officer
Joint Chief Accountin Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the dates indicated.

Mark Nosbush Mark Nosbush	President Joint Chief Executive Officer Joint Chief Accounting Officer	May 19, 1992

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Q 35719

92 13 7421 19

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD S.E.C.
MAY 15 1992
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FORM 10-Q

(✓) Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the Quarterly Period Ended March 31, 1992 or

D92-22608

( ) Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the Transition Period from ________ to __________.

Commission File Number 0-6983

PROCESSED BY
19-19:H
MAY 18 1992

COMCAST CORPORATION

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Exact name of registrant as specified in its ch[illegible])

L34

PENNSYLVANIA	23-1709202
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1234 Market Street, Philadelphia, PA 19107-3723
(Address of principal executive offices)

Registrant's telephone number, including area code: (215) 665-1700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, at March 31, 1992:

Class A Common Stock, $1 par value	39,529,488
Class A Special Common Stock, $1 par value	87,228,626
Class B Common Stock, $1 par value	8,212,500

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992

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COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheet

	(Dollars in Thousands) March 31, 1992 (Unaudited)	December 31, 1991
Assets		
Current Assets		
Cash and cash equivalents	$111,607	$125,658
Short-term investments, at cost which approximates market	238,855	470,079
Accounts receivable, less allowance for doubtful accounts of $6,725 and $6,143	38,215	30,142
Prepaid charges and other	23,414	19,611
Total Current Assets	412,091	645,490
Investments, principally in affiliates (includes $71,344 and $68,483 in marketable securities)	900,602	894,899
Property and Equipment	954,848	845,452
Less accumulated depreciation	382,644	340,628
	572,204	504,824
Deferred Charges, net	1,647,634	748,371
	$3,532,531	$2,793,584

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992

Condensed Consolidated Balance Sheet - Continued

	(Dollars in Thousands) March 31, 1992 (Unaudited)	December 31, 1991
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$137,179	$118,337
Accrued interest	52,902	39,078
Subscribers' advance payments and other	11,843	12,212
Current portion of long-term debt	92,906	94,680
Total Current Liabilities	294,830	264,307
Long-Term Debt, less current portion	2,330,851	1,689,884
Long-Term Debt and Preferred Stock Securities of Subsidiary - held by an affiliate	775,004	763,028
Deferred Income Taxes and Other	55,610	56,885
Stockholders' Equity		
Class A Common Stock, $1 par value; Authorized 200,000,000 shares; Issued 39,529,488 and 39,408,635	39,529	39,409
Class A Special Common Stock, $1 par value; Authorized 350,000,000 shares; Issued 87,228,626 and 81,153,453	87,229	81,153
Class B Common Stock, $1 par value; Authorized 50,000,000 shares; Issued 8,212,500	8,213	8,213
Additional capital	536,113	439,741
Accumulated deficit	(589,966)	(548,571)
Cumulative translation adjustments	(4,882)	(465)
Total Stockholders' Equity	76,236	19,480
	$3,532,531	$2,793,584

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992
Condensed Consolidated Statement of Operations and Accumulated Deficit
(unaudited)

	(In Thousands, except per share data) Three Months Ended March 31,	
	1992	1991
Service Income	$196,521	$174,715
Operating Expenses	65,593	64,107
Selling, General and Administrative Expenses	45,224	36,969
Depreciation and Amortization	43,720	42,405
	154,537	143,481
Operating Income	41,984	31,234
Investment (Income) Expense		
Interest expense	44,674	38,644
Investment income	(12,938)	(8,052)
Interest expense and preferred stock dividend requirement of a subsidiary to an affiliate	22,329	22,918
Equity in net losses of affiliates	19,038	18,152
Minority interest	624	807
	73,727	72,509
Loss Before Income Taxes	(31,743)	(41,275)
Income Taxes, principally deferred	4,927	1,050
Net Loss	(36,670)	(42,325)
Accumulated Deficit		
Beginning of period	(548,571)	(375,720)
Dividends declared - $.035 per share	(4,725)	(4,048)
End of period	($589,966)	($422,093)
Loss Per Share	($.28)	($.37)
Weighted Average Number of Common Shares Outstanding During the Period	132,808	114,067

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992
Condensed Consolidated Statement of Cash Flows (Unaudited)

	(Dollars in Thousands) Three Months Ended March 31, 1992	 1991
Operating Activities		
Net loss	($36,670)	($42,325)
Noncash items included in net loss		
Depreciation and amortization	43,720	42,405
Interest expense	7,833	2,823
Equity in net losses of affiliates	19,038	18,192
Preferred stock dividend requirement of a subsidiary to an affiliate	11,976	10,181
Deferred income taxes and other	3,265	1,536
	49,162	32,812
Increase in accounts receivable and other	274	972
Increase in accrued interest	13,824	14,954
Increase in other current liabilities	2,500	9,155
Cash flows from operating activities	65,760	57,893
Financing Activities		
Borrowings and debt issued	745,219	313,902
Debt issued directly in connection with an acquisition	(425,000)	
Issuance of common stock, net	102,568	29,030
Retirement and repayment of debt	(113,859)	(97,419)
Dividends	(4,725)	(4,048)
Other	(2,266)	(3,775)
Cash flows from financing activities	301,937	237,690
Investing Activities		
Acquisitions	992,274	11,370
Noncash portion of acquisition	(425,000)	
Additions to property and equipment	20,126	18,952
Increase in investments in affiliates	29,158	23,646
(Decrease) Increase in short-term investments	(231,224)	75,608
Other	(3,586)	3,396
Cash flows used in investing activities	381,748	132,972
(Decrease) Increase in cash and cash equivalents	(14,051)	162,611
Cash and Cash Equivalents		
Beginning balance	125,658	88,629
Ending balance	$111,607	$251,240

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Condensed Consolidated Financial Statements

The consolidated balance sheet at December 31, 1991 has been condensed from the audited balance sheet at that date. The condensed consolidated balance sheet at March 31, 1992 and the condensed consolidated statements of operations and accumulated deficit and cash flows for the three months ended March 31, 1992 and 1991 have been prepared by the Company and have not been audited by the Company's Independent Auditors. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and note disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1991 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the period ended March 31, 1992 are not necessarily indicative of operating results for the full year.

2. Acquisition

On March 5, 1992, the Company acquired from Metromedia Company ("Metromedia") a 50.01% direct and a 49.99% indirect interest in AWACS, Inc. ("AWACS"), the Non-Wireline cellular telephone system serving the Philadelphia Metropolitan Statistical Area, which includes eight counties in Pennsylvania and New Jersey containing a population of approximately 4,900,000 people. The Company also acquired the minority interests in two New Jersey cellular telephone systems serving a total population of approximately 1,252,000 people, the balance of which systems are owned by the Company. The Company acquired these interests in exchange for (i) zero coupon notes issued by a subsidiary of the Company, which are due March 5, 2000, and have an aggregate face amount payable at maturity of approximately $1 billion, accreting from $425,000,000 at 11% per annum (if at maturity or an earlier redemption date 35%, subject to reduction in certain circumstances, of the fair market value, as determined by applicable procedures, of the Company's cellular subsidiaries is greater than the accreted value plus certain premiums, then such greater amount will constitute the redemption price), (ii) approximately $567,000,000 in cash and (iii) preferred stock issued by a subsidiary of the Company which has economic attributes tied to the value of certain ancillary businesses. The 49.99% indirect interest has been obtained through the purchase of the Class A Redeemable Preferred Stock ("LCH Preferred Stock") of LCH Communications, Inc. ("LCH"), an indirect subsidiary of LIN Broadcasting Corporation. LCH indirectly owns the remaining 49.99% of the common stock of AWACS. LCH is required to redeem the LCH Preferred Stock (which redemption is not expected to occur before 1996) for either, at its option, all the capital stock of a corporation that owns the remaining common stock of AWACS or a specified cash redemption price. Any actual change in ownership of the 49.99% AWACS interest would only occur on the date the LCH Preferred Stock is redeemed for, at LCH's election, shares of such corporation's capital stock.

Based on circumstances that presently exist, management anticipates that the specified cash redemption price for the LCH Preferred Stock will significantly exceed the market value of the remaining 49.99% interest in AWACS at the time of redemption. While the Company does not presently have actual ownership of the 49.99% interest, management believes, based on circumstances that currenly exist, that the LCH Preferred Stock will be redeemed in exchange for the 49.99% interest in AWACS. Accordingly, the acquisition will be accounted for as if the Company acquired a 100% direct interest in AWACS.

The LCH Preferred Stock also entitles Comcast to an interest in certain publishing and broadcasting operations. Comcast Cellular Communications, Inc., a subsidiary of Comcast Cellular Corporation, has issued a Participating Preferred Stock to the seller under which the economic attributes are based on the performance and ultimate value of the publishing and broadcasting operations. Accordingly, these operations will be excluded from the Company's consolidated financial statements.

The Company would have reported unaudited revenues of $210,210,000 and $191,109,000, unaudited net loss of $47,805,000 and $53,329,000 and unaudited net loss per share of $.36 and $.40 for the three months ended March 31, 1992 and 1991, respectively, had the acquisition occurred at the beginning of 1991. The foregoing unaudited pro forma information is based on historical results of operations adjusted for acquisition costs, and in the opinion of management, is not necessarily indicative of what the results would have been had the Company operated the acquired entities since the beginning of 1991.

3. Loss Per Share

Loss per share is based on the weighted average number of shares outstanding. For the three month period ended March 31, 1992, all of the common stock equivalents have an antidilutive effect on the loss per share and, therefore, have not been used in determining the total weighted average shares outstanding.

4. Statement of Cash Flows - Supplemental Information

As described in Note 2 above the Company acquired AWACS ("Metrophone acquisition") for approximately $1,000,000,000, of which approximately $567,000,000 was in cash, net of the amounts paid to AWACS from Metromedia and the remainder in the zero coupon notes.

The Company made cash payments of interest of approximately $33,000,000 and $34,000,000 for the three months ended March 31, 1992 and 1991, respectively.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992
Notes to Condensed Consolidated Financial Statements - Continued
(Unaudited)

5. Investments in Affiliates

Summarized financial information for affiliates accounted for under the equity method for the three months ended March 31, 1992 and 1991 is as follows:

	Storer	Other	Combined
		(Dollars in Thousands)	
Three months ended March 31, 1992			
Financial position			
Current assets	$15,883	$44,818	$60,701
Noncurrent assets	3,418,833	495,963	3,914,796
Current liabilities	363,425	46,944	410,369
Noncurrent liabilities	2,766,393	375,441	3,141,834
Redeemable preferred stock	674,253		674,253
Results of operations			
Service revenues	$159,181	$27,451	$186,632
Operating income (loss)	29,787	(7,923)	21,864
Depreciation and amortization	45,534	15,228	60,762
Net loss as reported by affiliates	($55,418)	($15,582)	($71,000)
Interest and dividends not recognized as income by Storer, net of taxes	32,538		32,538
Net loss, as adjusted	($22,880)	($15,582)	($38,462)
Equity in net loss	($11,440)	($7,598)	($19,038)

	Storer	Other (Dollars in Thousands)	Combined
Three months ended March 31, 1991			
Financial position			
Current assets	$17,493	$5,795	$23,288
Noncurrent assets	3,526,462	404,078	3,930,540
Current liabilities	161,363	10,929	172,292
Noncurrent liabilities	3,001,682	342,127	3,343,809
Redeemable preferred stock	599,194		599,194
Results of operations			
Service revenues	$146,464	$21,988	$168,452
Operating income (loss)	23,395	(2,946)	20,449
Depreciation and amortization	45,234	13,175	58,409
Net loss as reported by affiliates	($57,849)	($11,325)	($69,174)
Interest and dividends not recognized as income by Storer, net of taxes	32,694		32,694
Net loss, as adjusted	($25,155)	($11,325)	($36,480)
Equity in net loss	($12,578)	($5,614)	($18,192)

The net loss of $55,418,000 and $57,849,000 for 1992 and 1991, respectively, separately reported by Storer Communications, Inc. ("Storer") differs from the $22,880,000 in 1992 and $25,155,000 in 1991 utilized by the Company to record its share of equity in the net loss of Storer. This difference is due to Storer not recognizing interest and dividend income from securities issued by the Company and the other 50% investor in Storer due to the related party nature of the securities. However, the Company has recorded the interest and dividend requirements as an expense in its statement of operations. Therefore, this method of reporting presents the Company's equity in the net loss of Storer as if it were consolidated with the Company.

6. Commitments and Contingencies

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's businesses are capital intensive and continually require cash for development and expansion and acquisitions. The Company has met its cash needs through its cash, cash equivalents and short-term investments and its cash flows from operating and financing activities. The Company's ability to meet its future cash needs depends on its results of operations and on the continued availability of external financing.

The Company has traditionally maintained significant levels of cash, cash equivalents and short-term investments to meet its short-term needs. At March 31, 1992 and December 31, 1991 cash, cash equivalents and short-term investment balances were $350,462,000 and $595,737,000, respectively. In addition, at March 31, 1992 there were approximately $71,344,000 of long-term marketable securities of an affiliate. At March 31, 1992, the Company's short-term investments of $238,855,000 had a weighted average maturity of approximately 18 months.

As the Company expects to continue to recognize significant losses, it is anticipated that by the end of 1992 the Company will have a deficiency in stockholders' equity. Management believes that such deficiency will not significantly affect the way that the Company does business or its ability to obtain financing.

The Company believes that it will be able to meet its current and long-term liquidity and capital requirements, including its fixed charges, through its cash flows from operating activities, existing cash balances, lines of credit and other existing and future financing resources.

SCI Holdings, Inc. ("Storer"), in which the Company holds a 50% interest, is obligated to repay $397,820,000 in principal amount of its zero coupon senior notes on December 5, 1992. Storer is pursuing various plans to meet this obligation including a transaction that would result in the ownership of its cable systems being split, on a tax free basis, between the Company and Storer's other 50% shareholder. Storer will attempt to complete this transaction during 1992, although there is no assurance that it will occur this year or at all since consummation of the transaction will require obtaining private and/or public debt financing, certain regulatory and other consents and approvals and the execution by the parties of binding agreements. In the event this transaction cannot be accomplished, Storer intends to seek financing from alternative sources. The Company believes that Storer's obligation to repay the $397,820,000 and its need to pursue plans to meet this obligation does not result in the impairment of the Company's investment in Storer as of March 31, 1992. The consequences to the Company of the Storer cable systems being split will be to substantially increase operating income before depreciation and amortization and net interest expense; however, the impact on net income is not expected to be significant. It is also anticipated that the assets and liabilities of the Company will increase substantially.

Statement of Cash Flows

At March 31, 1992, cash and cash equivalents decreased $14,051,000 from December 31, 1991. The decrease in cash and cash equivalents at March 31, 1992 compared to December 31, 1991 is primarily due to the change in short-term investments.

Cash flows from operating activities amounted to $65,760,000 and $57,893,000 for the three months ended March 31, 1992 and 1991, respectively. The increase is primarily due to increased cash receipts from operations, net of cash expenditures.

Cash flows from financing activities, which includes the issuances of securities as well as borrowings amounted to $301,937,000 for the three months ended March 31, 1992. During the first quarter of 1992 the Company sold 6,000,000 shares of the Company's Class A Special Common Stock resulting in proceeds of approximately $101,250,000 and obtained $320,219,000 in bank borrowings. The Company repaid approximately $113,859,000 of its long-term debt. As of March 31, 1992 the Company had unused lines of credit of $250,000,000.

Cash flows used in investing activities of $381,748,000 for the three months ended March 31, 1992 was primarily for the Metrophone acquisition ($567,274,000), capital expenditures and investments in affiliates ($49,284,000) offset by the sale of short-term investments used in connection with the Metrophone acquisition ($231,224,000).

Results of Operations

Historically, the Company has experienced significant growth, largely through acquisitions. The effect of these acquisitions on the Company's results of operations has been to increase significantly the Company's service income and expenses and is expected to result in substantial losses for the foreseeable future. The results of operations from the Metrophone acquisition are included for one month and are not considered to have a material effect on the first quarter's operating results.

The Company recognized net losses of $36,670,000 and $42,325,000 for the three months ended March 31, 1992 and 1991, respectively. The results of operations include equity in net losses of affiliates of $19,038,000 and $18,192,000 for the three months ended March 31, 1992 and 1991, respectively. In addition, the loss includes net losses relating to the Metrophone acquisition for the month of March 31, 1992 of approximately $8,200,000.

For the three months ended March 31, 1992 and 1991, the Company's earnings before income taxes, equity in net losses of affiliates and fixed charges were $54,298,000 and $38,479,000, respectively. These earnings were not adequate to cover the Company's fixed charges (interest expense of the Company and interest expense and preferred stock dividend requirements of a subsidiary to an affiliate) of $67,003,000 and $61,562,000 for the three months ended March 31, 1992 and 1991, respectively. The inadequacy of these earnings to cover fixed charges is primarily due to the substantial non-cash charges to earnings principally from depreciation and amortization of $43,720,000 and $42,405,000 for the three months ended March 31, 1992 and 1991, respectively. The Company believes that its losses and inadequacy of earnings to cover fixed charges will not significantly affect the performance of its normal business activities because of its existing cash, cash equivalent and short-term investment balances, its ability to generate operating income before depreciation and amortization, and its ability to obtain external financing.

The Company realized operating income before depreciation and amortization (commonly referred to in the Company's businesses as "operating cash flow") of $85,704,000 and $73,639,000 for the three months ended March 31, 1992 and 1991, respectively, representing an increase of 16% from the prior period.

The Company's service income increased $21,806,000, or 12% for the three months ended March 31, 1992 from the same period of 1991. Approximately 2% of the increase in 1992 was attributable to growth in cable subscribers in existing systems, approximately 4% was due to increased cable rates and the remaining 6% was due to new products, other sources of revenue and one month of activity from the Metrophone acquisition.

Operating, selling, general and administrative expenses increased $9,741,000 or 10% in the three months ended March 31, 1992 from the same period of 1991. Approximately one-half of this increase resulted from the Metrophone acquisition. The remainder of these increased expenses resulted primarily from operating expenses relating to increases in revenue. The Company has also experienced increases in the cost of providing programming services to subscribers. It is anticipated that the Company's cost of programming will increase in the future as programming rates increase and additional sources of programming become available. The Company cannot determine whether and to what extent increases in the cost of programming will affect the rates charged by it for its cable services.

Depreciation and amortization increased $1,315,000 or 3% in 1992 from 1991. The increase from 1991 is primarily due to the effects of capital expenditures and the Metrophone acquisition.

Interest expense to third parties increased $6,030,000 or 16% in 1992 from 1991. The increase in 1992 from 1991 was due to higher levels of average debt outstanding primarily associated with the Metrophone acquisition.

The Company anticipates that, for the foreseeable future, interest expense will be a significant cost to the Company and will have a significant adverse effect on the Company's ability to realize net earnings. The Company believes it will continue to be able to meet its obligations through its ability both to generate operating income before depreciation and amortization and to obtain external financing.

The Company has a significant equity investment in Storer. The Company's financial statements, prepared in accordance with generally accepted accounting principles, reflect this investment and certain other investments under the equity method of accounting. The following tables shows the unaudited effects on certain consolidated financial information as if the Company, in consolidation, would have recorded its proportional share of its equity investments for the three months ended March 31, 1992 and 1991. This presentation is not in accordance with generally accepted accounting principles.

Three months Ended March 31, 1992

	Storer(1)	Other Investments(1)	The Company(2)	Proportional Consolidation With Investments
			(In thousands)	
Service income	$76,894	$11,994	$196,521	$285,409
Operating expenses	39,233	8,497	110,817	158,547
Operating income before depreciation and amortization	37,661	3,497	85,704	126,862
Depreciation and amortization	22,767	7,332	43,720	73,819
Other expenses (including income taxes)	26,334	3,763	59,616	89,713
Net loss	($11,440)	($7,598)	($17,632)	($36,670)
At end of period:				
Total assets	$1,717,358	$223,468	$2,933,156	$4,873,982
Working capital (Deficiency)	(173,771)	(1,400)	117,261	(57,910)
Long-term liabilities	1,383,197	155,983	2,386,461	3,925,641
Redeemable preferred stock	268,644			268,644

Three months Ended March 31, 1991

(In thousands)

	Storer(1)	Other Investments(1)	The Company(2)	Proportional Consolidation With Investments
Service income	$75,943	$10,812	$174,715	$261,470
Operating expenses	41,629	5,862	101,076	148,567
Operating income before depreciation and amortization	34,314	4,950	73,639	112,903
Depreciation and amortization	22,617	6,433	42,405	71,455
Other expenses (including income taxes)	24,275	4,131	55,367	83,773
Net loss	($12,578)	($5,614)	($24,133)	($42,325)
At end of period:				
Total assets	$1,771,978	$161,192	$1,980,146	$3,913,316
Working capital (Deficiency)	(71,935)	(2,101)	298,190	224,154
Long-term liabilities	1,500,841	135,401	1,811,466	3,447,708
Redeemable preferred stock	239,139			239,139

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(1) Represents the Company's 50% investment in Storer and its proportional share of the results of operations and selected financial data for the Company's investments accounted for under the equity method of accounting for investments.

(2) Represents the results of operations of the Company and other selected financial data net of the equity in net losses of affiliates and other intercompany transactions that would be eliminated in consolidation.

For all periods presented, the Company's effective tax rate was disproportionate to the statutory rate. The reasons for this disproportionate effective rate were the nondeductibility of the Company's equity in net losses of affiliates, the preferred stock dividends of a subsidiary to an affiliate and differences between the tax basis associated with the assets acquired in certain acquisitions. It is expected that this disproportionate relationship will continue for the foreseeable future. Deferred income taxes arise from timing differences in the reporting of income and expenses for income tax and financial reporting purposes. Investment tax credits are accounted for by the flow-through method.

The Company accounts for income taxes under Accounting Principles Board (APB) Opinion No. 11. In February 1992 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" which is required to be adopted by 1993. The Company is presently evaluating the impact that the adoption of the statement will have on its financial statements and the timing of its implementation.

In December 1990, the FASB issued SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions." The Company has not adopted this statement which is generally effective for fiscal years beginning after December 15, 1992. It is not anticipated that this statement will have a material effect on the Company's financial position or results of operations.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

A. The Company is involved in several lawsuits and administrative proceedings regarding the ownership and operation of a cellular telephone system in the Atlantic City, New Jersey Metropolitan Statistical Area ("MSA"). Management of the Company, based upon its investigation to date, believes that it has meritorious defenses in the following proceedings, and that the amount of ultimate liability, if any, will not materially affect the financial position of the Company:

1. In February 1988, Telephone and Data Systems, Inc. ("TDS") and its subsidiary United States Cellular Corporation ("USCC") brought suit in the United States District Court for the District of Columbia originally alleging claims for tortious interference with contractual relations and with prospective business advantage. In September 1988 and November 1990, respectively, the District Court dismissed the two original and the five additional claims of TDS and USCC. An appeal of the September 1988 dismissal was taken by TDS and USCC to the United States Court of Appeals for the District of Columbia Circuit. Oral argument before the Court was held in December 1991, and the parties are awaiting decision.

2. In May 1990, Ellis Thompson Corporation ("ETC"), the licensee of the Atlantic City MSA, and Ellis Thompson ("Thompson") filed a declaratory judgment action in the Circuit Court for the County of Multnomah, Oregon against TDS, USCC and the Company to resolve issues with respect to various agreements relating to the Atlantic City MSA. As a part of this litigation, TDS and USCC filed various crossclaims and counterclaims, including demands for $100,000,000 in punitive damages. In September 1991, the Court granted ETC's, Thompson's

and the Company's motions for judgment on the pleadings. In April 1992 the Court granted ETC and Thompson's motions to dismiss the counterclaims and the Company's motion to dismiss the crossclaims. In April 1992 TDS and USCC filed a notice of appeal from the judgment of the Circuit Court.

3. In May 1989, TDS filed with the FCC an application for review of decisions of its Mobile Services Division and Common Carrier Bureau granting a construction permit to ETC for the Atlantic City MSA and interpreting provisions of various agreements relating to the Atlantic City MSA. In April 1991, TDS supplemented its application to allege that the Company had taken control of the Atlantic City MSA without authorization and had improperly failed to disclose the existence of various agreements with ETC. Both the Company and ETC denied the allegations of TDS. In a separate proceeding described in section A-4 below, the Mobile Services Division, after reviewing the allegations presented in TDS's supplemental application, determined that ETC had not relinquished control of the Atlantic City MSA. This matter, and a March 1992 pleading filed by TDS requesting the Federal Communications Commission ("FCC") to inquire into the conduct of ETC and the Company based primarily on the allegations contained in the April 1991 supplemental application of TDS, which pleading has been denied by both ETC and the Company, are pending before the FCC.

4. In January 1992, the Mobile Services Division of the FCC dismissed and denied allegations of TDS and others objecting to the acquisition by the Company of control of the Non-Wireline Philadelphia Market cellular licensee. The TDS objection essentially reiterated the allegations contained in its supplemental application referred to in section A-3 above. In February 1992, TDS filed an application for review of the decision of the Mobile Services Division. The Company's opposition to TDS's application was filed with the FCC in March 1992.

B. The U.S. Department of Justice is in the process of conducting an inquiry into possible antitrust violations arising from the formation and operation of Primestar Partners, L.P. ("Primestar"), a partnership in which the Company possesses an approximately 10% interest, that provides direct broadcast satellite services to television customers. The offices of a number of State Attorneys General are also conducting inquiries into possible antitrust violations regarding Primestar and certain other activities in the cable communications industry, including the control of programming companies by cable system operators. Although it cannot presently be determined what the results of any of the inquiries will be, it is possible that litigation between Primestar and/or the Company and one or more governmental authorities may result, that a full or partial settlement may be reached, or that some or all of the governmental authorities may ultimately decide not to take action. The Company does not know the specific relief that would be sought in any such litigation. The Company believes that any such litigation, if brought, will seek substantial relief, possibly including both injunctive relief and monetary damages. Management of the Company, based upon its investigations to date, does not believe it or Primestar is in violation of any applicable antitrust law, and that the amount of ultimate liability, if any, will not materially affect the financial position of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) The Company filed reports on Form 8-K on January 24, 1992 disclosing the letter of intent with Metromedia and the sale of 6,000,000 shares of Class A Special Common Stock and on March 19, 1992 amended on April 27, 1992 reporting the consummation of the Metrophone acquisition on March 5, 1992.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
Quarter Ended March 31, 1992

SIGNATURES

Pursuant to the Requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMCAST CORPORATION
(Registrant)

Lawrence S. Smith
Senior Vice President
Accounting and Administration
(Chief Accounting Officer)

Date: May 14, 1992

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MANUALLY SIGNED

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Three Months Ended March 30, 1992
Commission File Number 2-83166

E92-2268

COMMUNITY BANCORP.

(Exact Name of Registrant as Specified in its Chapter)

Vermont	03-0284070
(State of Incorporation)	(IRS Employer Identification Number)

Derby Road Derby, Vermont	05829
(Address of Principal Executive Offices)	(zip code)

Registrant's Telephone Number: (802) 334-7915

Not Applicable

Former Name, Former Address and Formal Fiscal Year
(If Changed Since Last Report)

Indicate by checkmark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file for such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

At March 30, 1992, there were 1,039,362 shares of the Corporation's $2.50 par value common stock issued and outstanding.

Total Pages - 16 Pages

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COMMUNITY BANCORP. AND SUBSIDIARY
Consolidated Statements of Condition

	MARCH 31 1992	DECEMBER 31 1991	MARCH 31 1991	
ASSETS				
Cash and Due From Banks	3,630,633	4,152,593	2,847,944	1
Interest Bearing Deposits in Banks	0	0	1,000,000	2
Investment Securities (Market Value of $34,676,967 at 03/31/92, $33,602,452 at 12/31/91 and $37,465,461 at 03/31/91.	34,088,902	32,926,752	37,446,590	3
Federal Funds Sold	1,925,000	1,975,000	975,000	4
Loans	107,644,859	106,505,696	101,683,488	5
Allowance for loan losses	(1,735,292)	(1,618,736)	(1,345,368)	6
Unearned net loan fees	(598,646)	(577,650)	(340,934)	7
Net loans	105,310,921	104,309,310	99,997,186	8
Bank Premises and Equipment, Net	1,120,153	1,146,501	1,183,679	9
Accrued Interest Receivable	1,460,941	1,360,705	1,649,810	10
Other Real Estate Owned	1,668,712	1,807,545	1,179,446	11
Other Assets	1,456,145	1,456,979	961,826	12
TOTAL ASSETS	150,661,407	149,135,385	147,241,481	13
LIABILITIES				
Deposits:				
Demand, Non-Interest Bearing	10,418,260	10,950,563	9,750,766	14
NOW and Money Market Accounts	23,905,261	23,108,697	22,545,453	15
Savings	22,854,885	20,187,728	18,240,021	16
Time Deposits, $100,000 and Over	11,087,180	10,910,996	15,036,373	17
Other Time Deposits	69,993,450	71,418,735	70,324,472	18
Total Deposits	138,259,036	136,576,719	135,897,085	19
Accrued Interest and Other Liabilities	508,766	868,679	532,909	20
Subordinated Debentures	715,000	739,000	739,000	21
TOTAL LIABILITIES	139,482,802	138,184,398	137,168,994	22
STOCKHOLDERS' EQUITY				
2,000,000 shares authorized and 1,068,257 shares issued at 03/31/92, 1,057,170 issued at 12/31/91, and 1,035,418 issued at 03/31/91	2,670,640	2,642,922	2,588,545	23
Surplus	2,459,163	2,397,324	2,250,906	24
Retained Earnings	6,461,906	6,343,790	5,817,996	25
Net Unrealized Losses on Marketable Equity Securities	0	0	(152,000)	26
Less:Treasury Stock, (28,895 Shares at 03/31/92, 28,889 Shares at 12/31/91 and 28,879 shares at 03/31/91 , at cost.	(433,104)	(433,049)	(432,960)	27
TOTAL STOCKHOLDERS' EQUITY	11,178,605	10,950,987	10,072,487	28
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	150,661,407	149,135,385	147,241,481	29

COMMUNITY BANCORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

For The First Quarter Ended March 31,	1992	1991	1990	
INTEREST INCOME				
Interest and Fees on Loans	2,927,795	3,135,844	3,071,546	1
Interest and Dividends on Investment Securities				
U.S.Treasury Securities	354,312	283,113	257,636	2
U.S. Treasury Agencies	37,742	50,121	0	3
Obligations of State and Political Subdivisions	135,954	209,809	104,929	4
Other Securities	49,005	48,416	53,455	5
Interest on Deposits in Banks	0	1,808	0	6
Interest on Federal Funds Sold	22,945	58,713	101,510	7
Total Interest Income	3,527,753	3,787,824	3,589,076	8
INTEREST EXPENSE				
Interest on Deposits	1,838,257	2,267,473	2,066,015	9
Interest on Short-Term Borrowings and Securities Sold Under Repurchase Agreements	0	1,453	3,773	10
Interest on Subordinated Convertible Debentures	17,413	18,128	23,630	11
Total Interest Expense	1,855,670	2,287,054	2,093,418	12
Net Interest Income	1,672,083	1,500,770	1,495,658	13
Provision for Loan Losses	(175,000)	(255,000)	(297,589)	14
Net Interest Income after Provision for Loan Losses	1,497,083	1,245,770	1,198,069	15
Securities Gains (Losses)				
OTHER OPERATING INCOME				
Trust Department Income	12,899	12,915	12,714	16
Service Fees	105,513	91,716	82,956	17
Securities Gains (Losses)	0	(18,090)	0	18
Other	89,741	90,049	90,299	19
Total Other Operating Income	208,153	176,590	185,969	20
OTHER EXPENSES				
Salaries and Wages	442,373	412,000	415,438	21
Pension and Other Employee Benefits	102,441	68,058	83,176	22
Occupancy Expenses, Net	177,050	158,556	173,716	23
Other	598,441	424,130	290,954	24
Total Other Operating Expenses	1,320,305	1,062,744	963,284	25
Income Before Taxes	384,931	359,616	420,754	26
Applicable Income Taxes (Credit)	82,288	57,013	102,500	27
NET INCOME	302,643	302,603	318,254	28
	========	========	========	
Earnings Per Share on Weighted Average				
Primary	0.29	0.30	0.35	29
Fully Diluted	0.28	0.29	0.32	30
Weighted Average Number of Common Shares				
Used in Computing Earnings Per Share - Primary	1,034,241	999,825	905,310	31
Fully Diluted	1,119,394	1,090,465	1,053,072	32
Dividends Per Share	0.16	0.16	0.16	33
Book Value Per Share on Shares Outstanding on	March 31,1992	Dec. 31,1991	March 31,1991	
	10.76	10.65	10.01	34

COMMUNITY BANCORP.
Statement of Cash Flows

For The First Quarter Ended March 31,	1992	1991	1990	
Interest Received	3,427,517	2,436,894	3,397,147	1
Fees and Commissions Received	208,153	194,680	185,969	2
Interest Paid	(1,884,511)	(2,330,345)	(2,553,575)	3
Cash Paid to Suppliers and Employees	(1,105,001)	(998,312)	(902,217)	4
Income Taxes Paid	(581,925)	(392,506)	(337,984)	5
Net Cash Provided by Operating Activities	64,233	(1,089,589)	(210,660)	6
Cash Flows from Investing Activities:				
Proceeds From Sales of Trading and Investment Securities	2,747,672	1,235,060	653,460	7
Purchase of Trading and Investment Securities	(3,911,832)	(10,812,311)	(3,545,863)	8
Increase in Loans, Net of Payments	(1,037,778)	2,874,126	(1,659,610)	9
Capital Expenditures	(17,546)	(137,704)	(59,149)	10
Net Cash Used in Investing Activities	(2,219,484)	(6,840,829)	(4,611,162)	11
Cash Flows from Financing Activities:				
Net Increase in Demand Deposits,NOW Accounts and Savings Accounts	2,931,418	(3,417,316)	(2,243,830)	12
Net Increase in Certificates of Deposit	(1,249,101)	6,605,225	5,491,978	13
Net Increase (Decrease) in Repurchase Agreements	0	(54,403)	0	14
Proceeds From Issuance of Common Stock	89,557	91,440	354,017	15
Redemption of Convertible Debentures	(24,000)	(23,000)	(289,000)	16
Payments to Acquire Treasury Stock	(55)	(23)	(9)	17
Dividends Paid	(164,528)	(159,160)	(141,321)	18
Net Cash Provided by Financing Activities	1,583,291	3,042,763	3,171,835	19
Net Increase in Cash and Cash Equivalents	(571,960)	(4,887,655)	(1,649,987)	20
Cash and Due from Banks at Beginning of Period	6,127,593	8,710,599	9,344,028	21
Cash and Due from Banks at end of Period	5,555,633	3,822,944	7,694,041	22
RECONCILIATION of NET INCOME TO NET CASH PROVIDED By OPERATING ACTIVITIES				
NET INCOME	302,643	302,603	318,254	23
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
DEPRECIATION	43,894	64,432	61,067	24
PROVISION FOR LOAN LOSSES	175,000	255,000	297,589	25
PROVISION FOR DEFERRED TAXES	(374,724)	(286,849)	(116,622)	26
SECURITIES (GAINS) LOSSES	0	18,090	0	27
INCREASE IN TAXES PAYABLE	(124,913)	(48,644)	(118,862)	28
INCREASE IN INTEREST RECEIVABLE	(100,236)	(316,797)	(49,098)	29
INCREASE IN INTEREST PAYABLE	(28,841)	56,763	13,582	30
INCREASE (DECREASE) IN ACCRUED EXPENSES	(184,453)	(146,185)	(100,517)	31
INCREASE IN OTHER LIABILITIES	(19,695)	46,221	(373,222)	32
INCREASE IN OTHER ASSETS	375,558	(1,034,133)	(142,831)	33
TOTAL ADJUSTMENTS	(238,410)	(1,392,102)	(528,914)	34
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,233	(1,089,499)	(210,660)	35
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
UNREALIZED LOSSES ON MARKETABLE EQUITY SECURITIES	$0	0	19,000	36
OTHER REAL ESTATE OWNED ACQUIRED IN SETTLEMENT OF LOANS	($138,833)	440,000	30,000	37
	($138,833)	$440,000	$49,000	38

AVERAGE BALANCES AND INTEREST RATES

The table below presents the following information: average earning assets (including non-accrual loans) and average interest bearing liabilities supporting earning assets and interest income and interest expense as a yield/rate.

	FIRST 3 MONTHS 1992			FIRST 3 MONTHS 1991		
	AVERAGE BALANCE	INCOME/ EXPENSE	RATE/ YIELD	AVERAGE BALANCE	INCOME/ EXPENSE	RATE/ YIELD
EARNING ASSETS						
Loans (gross)	106,905,986	2,927,795	11.01	103,282,712	3,135,844	12.31
Taxable Investment Securities	22,821,709	392,054	6.91	17,428,049	333,234	7.75
Tax-exempt Investment Securities(1)	8,395,600	197,827	9.48	11,346,531	317,892	11.36
Federal Funds Sold	2,336,814	22,945	3.95	3,568,333	58,713	6.67
Other Securities(2)	3,092,409	54,393	7.07	3,855,443	50,224	5.28
TOTAL	143,552,518	3,595,014	10.07	139,481,068	3,895,907	11.33
INTEREST BEARING LIABILITIES						
Savings Deposits	21,586,995	233,199	4.34	17,693,428	235,943	5.41
NOW & Money Market Funds	24,007,666	240,096	4.02	22,440,463	310,328	5.61
Time Deposits	81,499,177	1,364,961	6.74	83,772,328	1,721,203	8.33
Sec. sold Under Agreemt.to Repo	0	0	0.00	73,660	1,453	8.00
Debentures	723,000	17,413	9.69	751,000	18,128	9.79
TOTAL	127,816,838	1,855,669	5.84	124,730,879	2,287,055	7.44
Net Interest Income		1,739,345			1,608,852	
Net Interest Spread(3)			4.23			3.89
Interest Differential(4)			4.87			4.68

(1) Income on investment securites of state and political subdivisions is stated on a fully taxable basis (assuming a 34 percent tax rate).

(2) Dividend received on Student Loan Marketing Association Preferred Stock, which is 70 % tax exempt, is included in this figure, and stated on a fully taxable basis (assuming a 34 percent tax rate).

(3) Net interest Spread is the difference between the yield on earning assets and the rate paid on interest bearing liabilities.

(4) Interest differential is net interest income divided by average earning assets.

COMMUNITY BANCORP.

PRIMARY EARNINGS PER SHARE

FOR THE FIRST QUARTER ENDED MARCH 31	1992	1991	1990
NET INCOME	302,643	302,603	318,254
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.	1,034,241	999,825	905,310
EARNINGS PER COMMON SHARE	0.29	0.30	0.35

COMMUNITY BANCORP.

FULLY DILUTED EARNINGS PER SHARE

FOR THE FIRST QUARTER ENDED MARCH 31	1992	1991	1990
NET INCOME	302,643	302,603	318,254
ADJUSTMENTS TO NET INCOME (ASSUMING CONVERSION OF SUBORDINATED CONVERTIBLE DEBENTURES).	11,667	12,146	15,832
ADJUSTED NET INCOME	314,310	314,749	334,086
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.	1,034,241	999,825	905,310
INCREASE IN SHARES (ASSUMING CONVERSION OF CONVERTIBLE DEBENTURES).	85,153	90,640	147,762
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (FULLY DILUTED).	1,119,394	1,090,465	1,053,072
EARNINGS PER COMMON SHARE ASSUMING FULL DILUTION.	0.28	0.29	0.32

PART I.

Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Quarter Ended March 30, 1992

The following is a discussion of the financial condition and results of operations of the Corporation. Reference should be made to the financial statements and related notes attached to this report and to the financial information set forth under the caption "Selected Financial Data" for an understanding of the discussion below. Because principally all of the Corporation's business is conducted through its only subsidiary, Community National Bank, the following discussion refers primarily to the Bank's operations.

Results of Operations --Net Income for the first quarter ended March 30, 1992 was $302,643 representing a .01% increase compared to a net income of $302,603 for the first quarter ended March 30, 1991.

Net interest income, the difference between interest income and expense, is an important component of the Bank's overall net income and is an effective measurement of management's performance in balancing the Bank's interest rate sensitive assets and liabilities. Net interest income is affected by the average volume of interest earning assets and the average volume of interest bearing liabilities used to fund those assets and by the relationship between the rates earned on those assets and the rates paid on those liabilities.

Net interest income for the first quarter of 1992 increased by $171,313, or 11.41%, compared to the first quarter of 1991. Total interest income decreased from $3,787,824 to $3,527,753, or 7.37%, during the first quarter of 1992 as compared to 1991.

Income from loans for the first quarter of 1992 decreased by $208,049, or 6.63%, compared to the first quarter of 1991. The volume of loans increased by 3.51 %, while the yield on those loans decreased by 130 basis points for the first three months of 1992, compared to 1991.

The average volume of taxable investments increased by 3.51%, and the yield on taxable investments for the first three months of 1992 fell by 130 basis points, compared to 1991. Because the yield on treasuries has remained above the yield on other short term investments such as federal funds, the Bank has shifted investment strategy to take advantage of these higher yields.

Interest income on Federal Funds Sold for the first quarter of 1992 decreased by $35,768, or 60.92%, compared to the first quarter of 1991. Average volume decreased by 34.51% and average rate decreased by 272 basis points in the first three months of 1992, compared to 1991.

In total, our average earning assets increased by 2.92% during the first three months of 1992, compared to the same period in 1991. Our average yield on total average earning assets for first three months was 10.07% in 1992, compared to 11.33% in 1991.

Interest expense for the first quarter of 1992 decreased by $431,386, or 18.86%, compared to the first quarter of 1991. The average cost of our liabilities fell by 160 basis points in the first three months of 1992, compared to 1991. Our average time deposits decreased by 2.71% during the first three months of 1992, and the average rate paid decreased by 159 basis points, compared to the same period in 1991. NOW and Money Market Funds increased by 6.98% in volume in 1992, and the average rate on NOW and Money Market Funds fell 159 basis points as compared to the first three months of 1991.

Our net yield on interest earning assets was 4.23% for the first three months of 1992, compared to 3.89% in 1991. This increase in yield on earning assets is attributable to a 126 basis point decrease in yield on assets, and a 160 point decrease in the average rate paid on interest earning liabilities.

Allowance for Possible Losses on Loans --Management does not consider it meaningful to allocate the allowance for loan losses in accordance with industry, type of loan, or geographic area. The adequacy of the allowance is, however, determined by a loan-by-loan review and an examination of the overall level of risk and concentrations within the portfolio. A continuing review of the loan portfolio is conducted by the Executive Officers and the Board of Directors, which meets to discuss, among other matters, potential exposures. Factors considered are each borrower's financial condition, the industry or sector for the economy in which the borrower operates, and overall economic conditions. Existing or potential problems are noted and reported to senior management which assesses the risk of probable loss or delinquency on a loan-by-loan basis in conjunction with a review of the regulatory authority and the recommendations of independent accountants. The loan loss allowance is maintained at a level consistent with identified loss potential and the perceived risk in the portfolio. As of March 30, 1992, this internal review identified $59,540 in loans that were classified as doubtful. Care is taken to avoid undue concentration of risk in any one borrower, industry or geographic area. The overall risk is mitigated by the relatively large concentration of first mortgage loans with an extremely low historical loss ratio and a substantial consumer loan portfolio, the amortization of which is relatively rapid.

In the opinion of management, the valuation allowance for loan losses as of March 30, 1992 of $1,735,292, which constituted 1.61% of the total loan portfolio, is both satisfactory and adequate. Management believes this position is reasonable, particularly in view of the fact that $83,568,548 of the total loan portfolio, or 77.63% of the total loan portfolio, consists of real estate mortgage loans; and of the total real estate mortgage loans $65,147,878 or 77.95% constitute one to four family residential mortgage loans. The historical loan loss experience attributable to the residential mortgage sector of the loan portfolio has been nominal; and if the eligible loan portfolio base were reduced by the aggregate of the residential mortgage loan sector of the portfolio, the valuation allowance for loan losses of $1,735,292 would constitute 4.08% of the eligible loans. In management's opinion, it is both prudent and appropriate that reasonable consideration should focus upon the fact that the eligible loan portfolio contains a 77.63% concentration of residential and commercial real estate secured mortgage loans; and that this factor provides a much greater degree of stability and effectively insulates the portfolio against the volatility which may be ordinarily expected in a portfolio with a higher concentration of commercial, industrial, and installment loans. Additionally, a review of the non-performing loans indicates little risk of loss since they are primarily real estate mortgage loans.

Non-performing assets as of March 30, 1992 were made up of the following:

Non-Accruing loans	$1,362,864
Loans past due 90 day or more and still accruing	352,345
Other real estate owned	1,783,442
Total	$3,498,651

Loans internally classified as "doubtful" which are not included in the above figures totalled $29,684.

Other real estate owned is made up of property that the Bank owns in lieu of foreclosure or through normal foreclosure proceedings, and property that the Bank does not hold title to but is in actual control of, known as in-substance foreclosure. It is the policy of the Bank to value property in other real estate owned at the appraised value or book value of the loan, whichever is lesser. Our appraisal policy is to appraise the property before including it in other real estate owned, and annually thereafter.

Our current portfolio of other real estate owned consists of $1,038,439 in property actually owned by the Bank, and $745,013 of in-substance foreclosure loans. Our owned property consists of a ski lodge in Jay, Vermont, land in Lowell, Vermont, a former farm equipment dealership in Newport, Vermont, two commercial properties, and three single family residences in Northern Vermont. Our in-substance foreclosures consist of two single family residences in Northern Vermont and a condominium project in Jay, Vermont. The Bank is actively attempting to sell all of the other real estate owned, and expects no material loss on any of these properties. In the month of

April 1992, the ski lodge in Jay, Vermont, was sold with no further loss taken. However, other real estate owned is by definition a non-earning asset, and as such does have a negative impact on the Bank's earnings.

This total of $3,498,651 in non-performing loans equals 3.25% of gross loans, and is primarily well secured by real estate mortgage loans or other security. As of March 30, our reserve coverage of non-performance loans was 49.59% as compared to 41.57% a year ago and 44.62% at December 31, 1991. This increase is attributable to the Bank's practice of adding to its reserve in times of economic uncertainty.

The Bank's non-performing loans as a percent of assets was 2.32% as of March 30, 1992.

However, given the current uncertainties in the local economy, Management has deemed it appropriate to maintain our reserve for loan losses at a level approximately 1.6% of total eligible loan. We will continue to closely monitor the portfolio and adjust this strategy as conditions warrant. This should be sufficient to insulate the bank in the event of some unforeseen economic disaster

Other Operating Income and Expenses --Other operating income for the first quarter of 1992 increased by $31,563, or 17.87%, as compared to the first quarter of 1991. Trust department income for the first quarter of 1992 decreased $26, or .02%, compared to the first quarter of 1991. Service charges on deposit accounts for the first quarter of 1992 increased by $13,797, or 15.04%, compared to first quarter 1991. Other income for the first quarter decreased by $308, or .34%, compared to the same quarter in 1991.

Other operating expenses for the first quarter of 1992 increased by $257,561, or 24.24%, compared to the same quarter of 1991. Salaries expense for the first quarter increased from $412,000 in 1991 to $442,373 in 1992, or 7.37%. Employee benefits for the first quarter of 1992 increased by $34,383, or 50.52%, compared to the first quarter of 1991. This increase is attributable to increased costs of health insurance and the return to full funding of the pension plan following reduced contributions last year in conjunction with the defined benefit plan closure. Net occupancy expense increased by 11.66% during the first quarter of 1992, and other expenses increased by $174,311, or 41.09% as compared to the first quarter of 1991.

Management, in the normal course of business, estimates the total expenditures of some components of other operating expenses, and accrues these amounts in monthly installments over the year. These estimates are examined quarterly for accuracy, and adjustments to the accrued amounts are made accordingly. These adjustments are, in the opinion of management, necessary to fairly present the statements of income for any interim period.

Applicable Income Taxes --Income before taxes in the first quarter of 1992 increased $25,315, or 7.04%, as compared to the first quarter of 1991. Provisions for income taxes for the first quarter of 1992 increased 44.33% as compared to the first quarter of 1991.

Effects of Inflation --Rates of inflation affect the reported financial condition and results of operations of all industries, including the banking industry. The effect of monetary inflation is generally magnified in bank financial and operating statements as costs and prices rise during periods of monetary inflation, cash and credit demands of individuals and businesses increase, and the purchasing power of net monetary assets declines. While high rates of inflation have in the past strained the capital structure of financial institutions, in recent months this trend has been somewhat alleviated by declining rates of inflation, with a resulting relaxation of the erosion of the purchasing power of monetary assets.

The Corporation's ability to preserve its purchasing power depends primarily on its ability to manage net interest income. As noted above, under "Results of Operations", the Corporation's net interest income improved during the first quarter of 1992.

Financial Condition --The Financial Condition of the Corporation should be examined in terms and trends in sources and uses of funds. The table entitled "Average Balances and Interest Rates" is a comparison of daily average balances and is indicative of how sources and uses of funds have been managed.

Average Earning Assets grew by 2.92% in the first three months of 1992 as compared to the same period in 1991. Loans comprised 74.47% of our Earning Assets in 1992 and 74.04% in 1991. The average balance of loans grew by 3.51% in the first three months of 1992, compared to the same period in 1991. On March 30, 1992, residential real estate mortgages made up 61% of our portfolio, commercial loans made up 24% and personal loans made up 15%.

Taxable investments made up 15.90% of our average earning assets in the first three months of 1992, compared to 12.49% in 1991.

Tax-exempt investments made up 5.85% of our average earning assets in the first three months of 1992, compared to 8.13% in 1991.

Federal Funds Sold made up 1.63% of our earning assets in the first three months of 1992 and 2.56% in 1991. Other Securities made up 2.15% in 1992, compared to 2.76% in 1991.

Historically, the Bank has funded its growth by steady increases in its core deposits. The Bank does not rely on large certificates or other forms of volatile deposits to fund its growth in earning assets.

As interest rates decline, there is a shift to savings and money market accounts, as customers await an opportunity to reinvest at higher rates. Conversely as rates increase, funds shift from savings and money market accounts to certificates of deposit to lock in higher yields.

Liquidity --Liquidity is an important indicator of the Corporation's overall financial condition. Unlike the traditional measure of corporate liquidity--the relationship between current assets and current liabilities--the measure of the bank's liquidity is determined by the adequacy of its cash and short-term security investments to meet reasonable depositor requirements and normal loan demands. Management believes that the key to survival during times of volatile interest rates is to remain extremely liquid. To that end, the Bank was a net seller of federal funds, averaging $2,336,814 in the first three months of 1992, and $3,568,333 during the same period of 1991. As of March 30, 1992, the Bank maintained combined cash and short-term investments in the amount of $15,217,484 compared with $20,638,245 at the end of March 1991.

Capital Resources --The Corporation's stockholders' equity is increased by net income and sales of common stock and is decreased by dividends, adjustments for non-current marketable equity securities, and purchase of treasury stock. Stockholders' equity increased to $11,178,605 on March 30, 1992 from $10,950,987 on March 30, 1991.

The Corporation intends to continue the Bank's past policy of maintaining a strong capital resource position to support its asset size and level of operations. Consistent with that policy, management will continue to anticipate the Corporation's future capital needs.

From time to time the Corporation may make contributions to the capital of its subsidiary, the Bank. At present, regulatory authorities have made no demand on the Corporation to make additional capital contributions to the Bank's capital.

PART II.

Item 1

Legal Proceedings

The Corporation is not a party to any pending legal proceedings before any court, administrative agency or other tribunal.

There are no pending legal proceedings to which the Bank is a party or of which any of its property is the subject, other than routine litigation incidental to its banking business.

Item 6

Exhibits and Reports on Form 8-K

Exhibits - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMUNITY BANCORP.

DATED: May 15, 1992

By: ---------------------------
Alan A. Wing, Vice President

DATED: May 15, 1992

By: ---------------------------
Stephen P. Marsh,
Vice President & Treasurer

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Q 357123

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

RECD S.E.C.
MAY 15 1992

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

F92-22268

For the Quarter Ended March 31, 1992

Commission File # 2-38193

ELIZABETHTOWN GAS COMPANY

(Wholly-owned subsidiary of NUI Corporation)

(Exact name of registrant as specified in its charter)

New Jersey
(State of incorporation)

22-0888120
(I.R.S. employer identification no.)

One Elizabethtown Plaza, Union, New Jersey 07083
(Address of principal executive offices, including zip code)

PROCESSED BY
12-12R
MAY 14 1992

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(908) 289-5000
(Registrant's telephone number, including area code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM IN THE REDUCED DISCLOSURE FORMAT.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No __

The number of shares outstanding of each of the registrant's classes of common stock, as of May 11, 1992:

Common Stock, No Par Value: 1,040,164 shares outstanding.

BEST COPY AVAILABLE

Elizabethtown Gas Company and Subsidiaries
Condensed Statements of Consolidated Income (Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1991	1992	1991	1992
Operating Revenues	$104,153	$107,862	$186,634	$185,926
Operating Expenses				
Purchased gas and fuel	53,162	50,238	97,614	87,136
Other operation	15,219	15,574	31,473	30,521
Maintenance	882	1,256	2,045	2,488
Depreciation and amortization	3,302	3,514	6,319	7,054
General taxes	13,066	15,239	22,840	24,359
Income taxes	5,535	6,536	7,223	9,731
Total operating expenses	91,166	92,357	167,514	161,289
Operating Income	12,987	15,505	19,120	24,637
Other Income, net	472	287	744	610
Income before Interest Expense	13,459	15,792	19,864	25,247
Interest Expense	2,797	3,094	6,045	6,240
Net Income	$ 10,662	$ 12,698	$ 13,819	$ 19,007

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)

ASSETS

	September 30, 1991	March 31, 1992 (Unaudited)
Property, Plant and Equipment		
Utility plant, at original cost	$420,460	$432,423
Accumulated depreciation and amortization	(129,564)	(135,885)
Unamortized plant acquisition adjustment	16,450	16,264
Property, plant and equipment, net	307,346	312,802
Funds for Construction Held by Trustee	—	39,066
Investments in Marketable Securities	5,926	6,695
Current Assets		
Cash and temporary cash investments	4,440	13,247
Receivables	30,101	50,926
Allowance for doubtful accounts	(1,041)	(2,226)
Fuel inventories, at average cost, and deferred cost of gas, net	7,255	1,535
Deferred Federal income taxes	7,270	7,128
Materials, supplies and other	3,649	6,995
Total current assets	51,674	77,605
Other Assets		
Fuel inventories, non-current	2,509	2,526
Deferred environmental costs	25,139	25,200
Deferred charges and other assets	10,365	12,867
Total other assets	38,013	40,593
	$402,959	$476,761

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)

CAPITALIZATION AND LIABILITIES

	September 30, 1991	March 31, 1992 (Unaudited)
Capitalization		
Common shareholder's equity		
Common stock	$ 10,402	$ 10,402
Additional paid-in capital	67,920	67,920
Retained earnings	66,862	82,045
Guaranty of ESOP indebtedness	(1,568)	(1,519)
Total common shareholder's equity	143,616	158,848
Long-term debt	86,189	128,435
Total capitalization	229,805	287,283
Obligations Under Capital Leases	14,871	13,996
Current Liabilities		
Current portion of long-term debt and capital lease obligations	4,148	5,284
Notes payable	6,800	409
Accounts payable and accrued liabilities	44,627	54,991
Accrued taxes	30,871	42,579
Total current liabilities	86,446	103,263
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	31,769	32,468
Deferred investment tax credits	8,594	8,363
Reserve for environmental matters	24,700	24,700
Other liabilities	6,774	6,688
Total deferred credits and other liabilities	71,837	72,219
	$402,959	$476,761

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Statements of Consolidated Cash Flows (Unaudited)
(Dollars in thousands)

	Six Months Ended March 31,	
	1991	1992
Operating Activities		
Net income	$13,819	$19,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,248	7,737
Amortization of non-current fuel inventory	705	—
Deferred Federal income taxes	847	693
Amortization of deferred investment tax credits	(227)	(231)
Other	546	1,336
Changes in working capital and other	4,661	1,993
Net cash provided by operating activities	27,599	30,535
Financing Activities		
Proceeds from long-term debt	—	52,870
Repayments of long-term debt	(221)	(11,472)
Funds for construction held by trustee	—	(37,985)
Principal payments under capital lease obligations	(999)	(917)
Repayments of notes payable to banks, net	(12,750)	(6,391)
Dividends to NUI	(4,257)	(3,891)
Equity contributed by NUI	6,500	—
Net cash used for financing activities	(11,727)	(7,786)
Investing Activities		
Additions to utility plant	(15,814)	(13,016)
Other	36	(926)
Net cash used for investing activities	(15,778)	(13,942)
Net Increase in Cash and Temporary Cash Investments	$ 94	$ 8,807
Cash and Temporary Cash Investments:		
Beginning of period	3,454	4,440
End of period	$ 3,548	$13,247
Supplemental Disclosures of Cash Flows:		
Interest	$ 6,297	$ 6,429
Income taxes	$ 1,984	$ 2,788

See the notes to the condensed consolidated financial statements.

1. Basis of Presentation

The Condensed Consolidated Financial Statements, which include the accounts of Elizabethtown Gas Company and its subsidiaries (the "Company"), have been prepared without audit, in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the Notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

The Company, which is a wholly-owned subsidiary of NUI Corporation, distributes natural gas in New Jersey and Florida. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year. Historically, the Company has realized approximately two-thirds of its annual operating revenues in the first two quarters of the fiscal year.

2. Income Taxes

In February 1992, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which, among other things, requires a change in the method used by enterprises to account for deferred income taxes. The Company expects to adopt this new standard in fiscal 1994. Adoption of SFAS No. 109 is not expected to have a material effect on the Company's net income because, in accordance with the provisions of the Tax Reform Act of 1986, the resulting adjustments of previously established deferred tax balances to reflect the currently enacted Federal income tax rate generally will be included in operating income over the remaining depreciable lives of the related property and the Company's revenue requirements for rate-making purposes will be reduced concurrently. As of March 31, 1992, the net cumulative effect of differences between the book and the tax bases of assets for which deferred taxes have not been provided, if recorded in accordance with SFAS No. 109, would result in an increase in the deferred tax liability of approximately $10.9 million, an increase in the unamortized plant acquisition adjustment of approximately $8.4 million and the recording of a net receivable from customers of approximately $2.5 million.

3. Postretirement Benefits Other Than Pensions

The Company provides certain health care benefits to substantially all retirees receiving benefits under a Company pension plan (other than the Florida Division plan) who reach retirement age while working for the Company. The cost of these benefits, which is expensed as premiums are paid under insurance contracts, was $.4 million in each of the six-month periods ended March 31, 1991 and 1992.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which, among other things, requires enterprises to accrue the expected cost of these benefits during the years that eligible employees render the necessary service. The Company expects to adopt SFAS No. 106 in fiscal 1994. Based on a preliminary review by the Company's actuary, the unfunded postretirement benefit obligation as of the beginning of fiscal 1994, measured in accordance with the new standard, is currently estimated to range from $20 million to $26 million. The estimate is subject to significant change based on a number of factors, including possible changes in the assumed health care cost trend rate used in the calculations. The Company plans to amortize the discounted present value of the obligation as of the date of adoption to expense over a twenty-year period. The adoption of SFAS No. 106 is not expected to have a material effect on the Company's net income because any additional expense not recovered concurrently in rates is expected to be deferred to match ratemaking treatment.

The Company continuously evaluates alternative ways to manage these benefits and control their costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and annual expense.

4. Long-Term Debt

In October 1991, pursuant to agreements with the New Jersey Economic Development Authority, Gas Facilities Revenue Bonds that mature in October 2021 were issued in the amount of $46.2 million at 6.75% and $8.4 million at 6.625%. The net proceeds to the Company related to this indebtedness, which are held by a trustee until drawn upon the incurrence of eligible expenditures, are being used to finance expenditures through fiscal 1995 for the construction of certain gas facilities and related equipment in New Jersey. Long-term debt in the Company's Consolidated Balance Sheet as of September 30, 1991 included $11.4 million of notes payable to banks that were repaid in October 1991 with funds provided by this indebtedness.

5. Contingencies

Environmental Matters. The Company owns or previously owned certain properties on which gas was manufactured by the New Jersey Division or by other parties in the past. Coal tar residues are present on six of these sites and the Company has reported their presence to the United States Environmental Protection Agency, the New Jersey Department of Environmental Protection and Energy (the "DEPE") and the New Jersey Board of Regulatory Commissioners.

The Company expects it will expend in the next twenty years approximately $25 million, net of costs which will be borne by the prior owners and operators of certain of the sites, to complete investigation of such sites and the remediation of the coal tar contamination. The ultimate costs will depend upon the investigation and remediation plans that are finally adopted by the Company, subject to the approval of the DEPE. The Company has accrued approximately $25 million for investigation and remediation of the sites and has deferred the related costs on its Consolidated Balance Sheet along with the costs of prior expenditures recoverable under the current base rate order.

The Company believes that its remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers. The current base rate order for the New Jersey Division permits the Company to utilize full deferred accounting for coal tar related expenditures and, with respect to the $260,000 of such expenditures paid prior to the issuance of the rate order, provides for the recovery through rates at $130,000 annually. Other New Jersey utilities also have received authorization to recover similar environmental expenditures in rates.

Other. In addition, the Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these other claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

Elizabethtown Gas Company and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is engaged in the distribution of natural gas in New Jersey and Florida. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year. Historically, the Company has realized approximately two-thirds of its annual operating revenues in the first two quarters of the fiscal year.

Three Months Ended March 31, 1992 versus Three Months Ended March 31, 1991. Net income for the quarter ended March 31, 1992 was $12.7 million, which is a net increase of 19% as compared with net income of $10.7 million, for the same period in the prior year. Operating revenues for the quarter increased to $107.9 million from $104.2 million in the second quarter of fiscal 1991. The increase in net income reflects increased sales volumes as a result of cooler weather and customer growth and the implementation of a weather normalization clause on a two-year test basis in New Jersey (see "—Rate Matters"). The effects on operating revenues from increased volumes and rates were partially offset by billing adjustments to pass through lower gas costs to customers.

Six Months Ended March 31, 1992 versus Six Months Ended March 31, 1991. Net income for the six months ended March 31, 1992 was $19 million, as compared with net income of $13.8 million for the same period in the prior year. Operating revenues for the six months decreased to $185.9 million as compared with $186.6 million in the same period in fiscal 1991. The increase in net income reflects increased sales volumes as a result of cooler weather and customer growth; higher rates in Florida and the implementation of a weather normalization clause in New Jersey (see "—Rate Matters"); and lower interest costs. The effects on operating revenues from increased volumes and rates were more than offset by billing adjustments to pass through lower gas costs to customers.

Financings. In October 1991, the Company incurred a total of $54.6 million of long-term debt to finance certain construction expenditures. See "—Financing Activities and Resources."

Results of Operations

Operating Revenues and Operating Margins. The Company's operating margins (operating revenues less the costs of purchased gas and fuel and gross receipts and franchise taxes) increased by $4.4 million, or 11%, in the quarter ended March 31, 1992 and by $8.1 million, or 12%, for the six months ended March 31, 1992 as compared with operating margins in the equivalent periods in fiscal 1991. The 1991-1992 heating season was 12% cooler (as measured by degree days) than a year ago which improved sales volumes significantly. In addition, with total degree days in New Jersey 5% below the thirty-year average ("normal"), the Company's operating margins were increased by weather normalization adjustments amounting to approximately $0.7 million in the second quarter of fiscal 1992 and $1.5 million for the first six months of fiscal 1992 (see "—Rate Matters"). Sales volumes also improved due to the number of customers served, which increased approximately 6,600, or 2.1%, as compared with fiscal 1991, principally reflecting the customers added in February 1991 in connection with the acquisition of additional service areas in Florida together with residential and commercial development in both New Jersey and Florida. The number of heating customers served in New Jersey was higher by approximately 5,100, or 3.3%, as compared with a year ago, including the effects of converting existing water and cooking service customers into full gas-heating customers. Operating margins also benefitted from a rate increase in Florida (see "—Rate Matters") and operating revenues were reduced by the effects of gas cost adjustments (see "—Gas Cost Adjustments").

Rate Matters. The Company concluded rate cases in each of its two operating divisions in the fourth quarter of fiscal 1991, including the adoption of a weather normalization clause on a two-year test basis for its New Jersey Division beginning in October 1991. The weather normalization clause is designed to help stabilize the Company's results by increasing rates charged to customers when weather has been warmer than normal and by decreasing rates when weather has been colder than normal, without impairing the Company's ability to recover the gas cost components of providing gas service. Based on the warmer than normal weather in the 1991-1992 heating season, the Company expects that the adjustment attributable to the clause will increase customers' bills in the 1992-1993 heating season. Pursuant to the rate case settlement under which the Company obtained the weather normalization clause, the Company reduced its New Jersey Division rates beginning in October 1991 by an amount equivalent to $500,000 in annual revenues, which would allow the New Jersey Division an opportunity to earn a 12.4% return on utility equity.

In July 1990, the Florida Division began billing an interim rate increase equivalent to $2.5 million annually. In August 1991, the Company received approval to fix the increase in its Florida Division's rates and charges at an amount equivalent to $3.5 million in annual revenues, which would allow the Florida Division an opportunity to earn a 13.0% return on utility equity. The Florida Division has been collecting revenues at the increased level since January 1991.

Gas Cost Adjustments. Adjustment clauses in both New Jersey and Florida enable the Company to pass through to customers, through periodic adjustments to the rates billed, increased or decreased costs incurred by the Company for purchased gas. Adjustments related to changes in gas costs had the effect of decreasing operating revenues by $4.0 million in the second quarter of fiscal 1992 and $13.0 million on a six month basis as compared with the same periods in fiscal 1991, with offsetting adjustments to purchased gas and fuel costs and to gross receipts and franchise taxes.

Operating Income. The Company's operating income before income taxes increased by $3.5 million, or 19%, for the quarter ended March 31, 1992 and by $8.0 million, or 30%, for the six months ended March 31, 1992 as compared with operating income before income taxes in the equivalent periods in fiscal 1991, principally reflecting the improvement in operating margins. On a six month basis, the improvement also reflects the absence of costs incurred in the first quarter of fiscal 1991 in connection with a 24-day work stoppage at the New Jersey Division and with obtaining shareholder and regulatory approvals for the acquisition of PEI, which subsequently terminated. The work stoppage, which began upon the expiration of an existing labor contract, was resolved when agreement was reached with respect to the current four-year contract commencing as of November 21, 1991. In addition, fiscal 1992 benefits from the effects of medical insurance cost sharing and an early retirement program. The increase in depreciation and amortization expense principally reflects the increase in utility plant in service as a result of completed construction to expand and upgrade the Company's distribution system.

Interest Expense. Interest expense in the second quarter and first six months of fiscal 1992 reflects higher outstanding borrowings but lower prevailing interest rates as compared with a year ago (see "--Financing Activities and Resources").

Financing Activities and Resources

Financing Resources. The Company generally funds its operations with internally generated cash, supplemented with borrowings under its bank lines of credit to satisfy seasonal requirements. The Company funds certain of its New Jersey construction expenditures with Funds for Construction Held by Trustee and a portion of the remaining construction expenditures with borrowings under bank lines of credit, pending refinancing through the issuance of long-term debt or by the contribution of additional equity capital by NUI.

Internally Generated Funds. Net cash provided by operating activities before changes in working capital increased to $28.5 million for the first six months of fiscal 1992 as compared with $22.9 million in the same period in fiscal 1991. Working capital decreased $2.0 million for the first six months of fiscal 1992 and $4.7 million for the fiscal 1991 period. These seasonal decreases in working capital principally reflect the consumption of gas and fuel held in inventory, partially offset in fiscal 1991 by a payment to settle certain Florida Division litigation.

Long-Term Debt and Funds for Construction Held by Trustee. In October 1991, the Company incurred a total of $54.6 million of long-term debt to finance expenditures through fiscal 1995 for the construction of certain gas facilities and related equipment in New Jersey, including approximately $11.4 million expended prior to the incurrence of this long-term debt. The unexpended portion of the net proceeds from this borrowing was $39.1 million at March 31, 1992 and is classified on the Company's Consolidated Balance Sheet as Funds for Construction Held by Trustee until drawn upon the incurrence of eligible expenditures.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $27.4 million at 8.2% for the six months ended March 31, 1991 and $14.1 million at 5.8% for the six months ended March 31, 1992. At March 31, 1992, the Company had $61.2 million of available unused credit lines.

Capital Expenditures and Commitments

Capital expenditures for the six months ended March 31, 1992 were $12.9 million. For fiscal 1992, capital expenditures are expected to be approximately $32 million, as compared with a total of $24.8 million for fiscal 1991. The Company's capital expenditures primarily consist of expenditures to expand and upgrade the Company's gas distribution systems.

In addition, the estimated present value of minimum lease payments relating to a divisional headquarters aggregated over the remaining 18-year term of the lease together with leasehold improvements and furniture, is approximately $34.6 million as of March 31, 1992, of which $11.6 million is reflected in the Consolidated Balance Sheet as capital lease obligations. The remainder is being incurred under an operating lease.

As discussed in "Contingencies," Note 5 of the Notes to the Condensed Consolidated Financial Statements, the Company expects it will expend in the next twenty years approximately $25 million to complete investigation and remediation of the coal tar contamination on New Jersey properties which the Company owns or previously owned on which gas was manufactured in the past. The ultimate costs will depend upon the investigation and remediation plans that are finally adopted by the Company, subject to the approval of the New Jersey Department of Environmental Protection and Energy (the "DEPE"). The Company believes the remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers.

In June 1991, legislation was enacted in New Jersey that accelerates the payments of approximately $30 million of gross receipts and franchise taxes by an average of almost one and a half years in stages from 1992 through 1994. The Company expects to recover in rates the costs associated with the related additional financing requirements.

The Company anticipates that its future capital expenditures and commitments are likely to require additional debt and equity financing.

Accounting Matters

The Company understands that the staff of the Securities and Exchange Commission (the "SEC") recently questioned another registrant's accounting for certain alternative ratemaking programs, including weather normalization adjustments. Specifically, the staff is questioning whether cost deferrals are appropriate for such programs under generally accepted accounting principles for regulated enterprises. The SEC staff has indicated it intends to ask the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board to consider this matter. Depending upon the conclusion reached by the EITF, the Company may be precluded from recognizing all or a portion of the effects of its weather normalization adjustment until the applicable amounts are billed to customers. In the opinion of management, the ultimate resolution of this matter will not have a material effect on the Company's financial position or results of operations.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed for the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Elizabethtown Gas Company
(Registrant)

May 12, 1992

Joseph P Coughlin

Joseph P. Coughlin
Secretary, Treasurer and
Chief Financial Officer

May 12, 1992

Bernard F Lenihan

Bernard F. Lenihan
Vice President and
Chief Accounting Officer

0 3582
Q 3572

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

92 15 0690

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10Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992

[illegible]

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

B92-2268

For the transition period from ________________ to ________________

Commission File Number 0-11654

FIBRONICS INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2629923
(I.R.S. Employer Identification No.)

Communications Way, Hyannis, MA 02601-1892
(Address of Principal Executive Office)
(Zip Code)

PROCESSED BY
16 . 16 . V
MAY 18 1992

(508) 778-0700
(Registrant's telephone number, including ar

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Q-Data Corp. - St. Petersburg, FL
L34

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 12, 1992.

Common Stock, $.05 par value per share: 6,410,484 shares

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*The Balance Sheet at December 31, 1991 has been taken from the audited financial statements at that date. All other statements are unaudited.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share amounts)

	March 31, 1992 (unaudited)	December 31, 1991 (audited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 618	$ 238
Accounts receivable-Trade	11,196	14,295
-Government	1,717	1,706
Inventories	16,749	15,759
Prepaid expenses and other current assets	2,170	1,814
TOTAL CURRENT ASSETS	32,450	33,812
EQUIPMENT, FIXTURES AND IMPROVEMENTS - at cost, net of accumulated depreciation and amortization	6,772	6,915
OTHER ASSETS	6,355	6,399
	$45,577	$47,126
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable - banks	$ 7,376	$ 5,196
Accounts payable	6,112	5,860
Other accrued liabilities	5,808	6,996
Current portion of long-term debt	1,108	1,193
TOTAL CURRENT LIABILITIES	20,404	19,245
LONG-TERM DEBT	5,864	6,053
SHAREHOLDERS' EQUITY:		
Common stock, par value $.05 Authorized - 20,000,000 shares Issued and outstanding - 6,410,484 shares in 1992 and 6,340,984 in 1991	321	317
Additional paid-in capital	27,677	27,457
Deficit	(8,373)	(5,675)
Foreign currency translation adjustments	(316)	(271)
TOTAL SHAREHOLDERS' EQUITY	19,309	21,828
	$45,577	$47,126

See notes to consolidated financial statements.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
REVENUES:		
Net sales	$11,567	$12,666
Service and contract revenues	1,136	1,381
Total revenues	12,703	14,047
COSTS AND EXPENSES:		
Cost of sales	6,657	5,945
Research and development, net	1,406	960
Selling, general and administrative	6,447	6,232
Restructuring charge	520	-
Total costs and expenses	15,030	13,137
OPERATING (LOSS) INCOME	(2,327)	910
INTEREST INCOME	10	8
INTEREST EXPENSE	(309)	(246)
OTHER EXPENSE, NET	(72)	(213)
(LOSS) INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(2,698)	459
PROVISION FOR INCOME TAXES	-	(161)
(LOSS) INCOME BEFORE EXTRAORDINARY ITEM	(2,698)	298
UTILIZATION OF NET OPERATING LOSS CARRYFORWARD	-	64
NET (LOSS) INCOME	$(2,698)	$ 362
PER SHARE OF COMMON STOCK:		
(Loss) Income before extraordinary item	$ (.42)	$ .05
Utilization of net operating loss carryforward	-	.01
Net (Loss) Income	$ (.42)	$ .06
Average shares used in calculation of (loss) income per share	6,365,462	6,573,789

See notes to consolidated financial statements.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid in Capital	Deficit	Foreign Currency Translation Adjustments	Total
	Shares	Amount				
ALANCE, January 1, 1991	6,301,484	$315	$27,267	$(2,400)	$ 17	$25,199
xercise of Stock Options	25,750	1	136	-	-	137
oreign Currency Translation Adj.	-	-	-	-	(103)	(103)
et Income for the Three Months Ended March 31, 1991	-	-	-	362	-	362
ALANCE, March 31, 1991	6,327,234	$316	$27,403	$(2,038)	$(86)	$25,595
BALANCE, January 1, 1992	6,340,984	$317	$27,457	$(5,675)	$(271)	$21,828
Exercise of Stock Options	69,500	4	220	-	-	224
Foreign Currency Translation Adj.	-	-	-	-	(45)	(45)
Net (Loss) for the Three Months Ended March 31, 1992	-	-	-	(2,698)	-	(2,698)
BALANCE, March 31, 1992	6,410,484	$321	$27,677	$(8,373)	$(316)	$19,309

See notes to consolidated financial statements.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) Income before extraordinary item	$(2,698)	$ 298
Utilization of net operating loss carryforward	-	64
Adjustments to reconcile net loss, income to net cash provided by (used in) operating activities:		
Depreciation and amortization	915	864
Effects of changes in working capital:		
Accounts receivable	2,744	(1,452)
Inventories	(979)	(1,887)
Prepaids and other current assets	(422)	105
Accounts payable, accrued liabilities and income taxes payable	(807)	(1,295)
Total adjustments	1,451	(3,665)
Net cash used in operating activities	(1,247)	(3,303)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, fixtures and improvements, net	(438)	(346)
Capitalized software	(363)	(680)
Other assets	-	3
Net cash used in investing activities	(801)	(1,023)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under lines of credit	2,305	2,352
Principal borrowings (payments) of debt	(97)	1,641
Proceeds from issuance of common stock, net	223	137
Net cash provided by financing activities	2,431	4,130
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3)	77
INCREASE (DECREASE) IN CASH	380	(119)
CASH, BEGINNING OF PERIOD	238	369
CASH, END OF PERIOD	$ 618	$ 250

See notes to consolidated financial statements.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(Amounts in thousands)

1. CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated balance sheet as of March 31, 1992, the Consolidated Statements of Operations for the three months ended March 31, 1992 and 1991, and the consolidated statements of changes in shareholders' equity and cash flows have been prepared by the Company, without audit. In the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly the financial position, results of operations, changes in shareholders' equity and changes in cash flows at March 31, 1992, and for all periods presented, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K (File No. 0-11654) filed on March 30, 1992. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

2. INVENTORIES:

Inventories are stated at the lower of cost or market, with cost being determined by the first-in, first-out method. Cost includes amounts paid for material, labor, and factory overhead. Inventory at December 31, 1991 was determined by a physical count of product, and at March 31, 1992 was determined from perpetual records.

Inventory consists of the following:

	March 31, 1992	December 31, 1991
Raw materials	$ 3,921	$ 3,875
Work in process	2,590	2,733
Finished goods	10,238	9,151
	$16,749	$15,759

3. RESEARCH AND DEVELOPMENT COSTS:

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Total expenditure for research and product development	$2,368	$2,155
Less:		
Capitalized software costs	372	679
Royalty-bearing participations	590	516
Net Expense	$1,406	$ 960

4. OTHER (EXPENSE) INCOME, NET:

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Foreign Currency Translation (Losses) Gains, Net	$(46)	$(214)
Other Income (Expense), Net	(26)	1
	$(72)	$(213)

5. INCOME TAXES

Income taxes have been provided for in accordance with APB No. 11.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

REVENUES

Consolidated worldwide revenues were:

Three Months Ended March 31,	1992	1991	$ Increase (Decrease)	% (Decrease)
Product Revenue	$11,567	$12,666	$(1,099)	(8.7%)
Service and Other	1,136	1,381	(245)	(17.7%)
Total	$12,703	$14,047	$(1,344)	(9.6%)
% of Foreign Revenues	73%	77%		(4.0%)

The decrease in the Company's product revenues is attributable to two principal factors, the continuing weakness in worldwide economies and the delay by the Company of shipments of key new products which were previously announced to the market in 1991. The weak economic conditions have lead to price erosion in many of the Company's markets as well as the delay of capital purchases for networking projects. Both of these factors have contributed to a decline in revenues. The new products which have experienced delays, particularly the Company's new Multihub product line and more sophisticated high bandwidth products, are more technologically complex than many previous products. As a result, they unexpectedly consumed much greater time and expense in their development, resulting in slower than expected deliveries and lower profit margins.

The Company's product revenues for the first quarter have decreased by approximately 8.7% in total compared to the same quarter in the prior year. In the U.S., Germany and U.K. where the Company markets its products through its own sales and marketing operations, product sales have increased slightly compared to first quarter of 1991. In the rest of Europe and in Japan where its products are marketed by various forms of third party distributors, product sales have decreased significantly.

Service and other revenues have decreased in both dollar and percentage terms in the first quarter of 1992 compared to the same period in 1991. The decrease is attributable primarily to a single non-recurring sale of software licenses for approximately $275,000 in the first quarter of 1991.

GROSS MARGIN

Three Months Ended March 31,	1992	1991	Increase (Decrease)
Gross Margin - $	$6,046	$8,102	$(2,056)
Gross Margin - %	47.6%	57.7%	(10.1%)

The Company's gross margin is influenced by many complex factors. These factors include revenue mix (high vs. lower margin products; product vs. service revenues), sales channels (direct vs. distributor sales), geographic mix (U.S. vs. non-U.S.), product pricing and discounting practices, foreign exchange, changes in the cost of manufacturing, production and sales volumes, and the timing and success of new product introductions. The interrelationship of these elements is extremely complex.

During the first three months of 1992, a number of the factors mentioned above had an unfavorable influence on the Company's sales, resulting in a significant decrease in gross margins compared to the first quarter of 1991. The most unfavorable factors were technical problems encountered with new products, increases in lower margin commodity-like products, decreases in higher margin mainframe connectivity products including software, decreases in high margin service and other revenues, and the strengthening of the U.S. dollar relative to the local currencies in certain non-U.S. markets which results in a lower dollar value of sales and gross margins. Each of these factors had a negative impact on the Company's margins.

RESEARCH AND DEVELOPMENT EXPENSES

Total expenditures in dollars and as a percent of total revenues were:

Three Months Ended March 31,

	1992		1991		Increase (Decrease) in R&D - net	
	$	%	$	%	$	%
R&D - gross	$2,368	18.6%	$2,155	15.3%	$213	3.3%
Participation	(590)	(4.6%)	(516)	(3.7%)	(74)	0.9%
Capitalization	(372)	(2.9%)	(679)	(4.8%)	307	(1.9%)
R&D - net	$1,406	11.1%	$ 960	6.8%	$446	4.3%

Gross R&D expenditures for the three month period ended March 31, 1992 increased in both dollar terms and as a percent of revenues compared to the same period in 1991. The dollar increase reflects both a continued emphasis on development of new products as well as considerable efforts devoted to resolving technical issues with selected existing products.

As indicated in the table above, the Company continues to receive significant amounts of royalty bearing participations from the Israeli government. Although the Company expects to receive additional funds from this source in the future, there is no guarantee that these participations will continue.

As shown above, the dollar amount of capitalized software has decreased by $307 in the first quarter of 1992 compared to the same quarter in 1991. The decrease is due to the adoption of a more conservative approach in the current quarter capitalization caused by the potential market uncertainty in future periods of a number of new products under development. Management has elected to reduce the amount capitalized and thus increase R&D expense-net in the current quarter to reflect this uncertainty.

The Company capitalizes software costs in accordance with the requirements of FASB 86, Capitalization of Software Costs. The FASB requirements also mandate that the Company continually reassess the net realizable value of these projects to determine if it is necessary to accelerate the amortization or writeoff of these capitalized amounts to reflect changes in the expected future benefits of the capitalized software development costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (S, G & A)

Selling, general and administrative expenses in total and as a percent of total revenues were:

Three Months Ended March 31,	1992	1991	Increase
S,G & A - $	$6,447	$6,232	$215
S,G & A - %	50.8%	44.4%	6.3%

S,G & A expenses increased significantly as a percentage of sales, but only $215 in total. The percentage increase is due to the decrease in revenues in the first quarter of 1992 compared to the same period in 1991. The dollar increase represents the Company's continued focus and commitment to building a strong sales, marketing and customer service organization in order to be in a position to take advantage of an improvement in economic conditions.

RESTRUCTURING CHARGE

Total for three months ended March 31, 1992 - $520

The Company recently began the implementation of a major restructuring plan to streamline its operations and focus resources on increasing marketing and sales productivity. While the plan of restructuring is still in the process of being finalized, it will result in the reduction of approximately 65 positions worldwide over the next several months. Management estimates that this will result in reducing costs by approximately $4 million annually, commencing in the third quarter of 1992. Following the restructuring, Fibronics' workforce will total approximately 410 employees. The estimated costs to be incurred in eliminating these positions, $520,000, have been charged to expense in the three months ended March 31, 1992.

The Company plans to consolidate worldwide research and development and manufacturing in the Company's facility in Haifa, Israel, in order to improve quality, reduce costs and reduce the time to market for new Fibronics products. Fibronics' sales and service organizations in the US and around the world will be reorganized to provide additional service and support capabilities for the Company's sales efforts. Fibronics' marketing is also being consolidated under the leadership of a single senior executive to provide stronger support for the international sales force.

Additional expenses will be incurred to complete the implementation of the restructuring and will be recorded when plans are final and reasonable estimates of the expenses can be made. The additional expenses, which may be material, could potentially involve the accrual of rentals and related costs of excess facilities, moving expenses and inventory writeoffs related to discontinued products. Management is currently considering various potential actions in these areas.

OPERATING INCOME (LOSS) FROM OPERATIONS

Operating Income (loss) in total and as a percent of total revenues were:

Three Months Ended March 31,	1992	1991	(Decrease)
Operating Income (loss) from Operations- $	$(2,327)	$910	$(3,237)
Operating Income (loss) from Operations- %	(18.3%)	6.5%	(24.8%)

Operating Income has decreased in total and as a percent of revenues in the first quarter of 1992 compared to the same period in 1991, due to the decline in gross margins and increases in R&D and S, G & A spending.

INTEREST EXPENSE

Interest expense in total and as a percent of total revenues were:

Three Months Ended March 31,	1992	1991	Increase
Interest expense - $	$309	$246	$63
Interest expense - %	2.4%	1.8%	.6%

Interest expense represents interest costs on borrowings to meet temporary working capital needs and to finance long-term investments in capital assets. The total worldwide level of borrowings has increased steadily during the last twelve months through the first quarter of 1992, due to the Company's decreasing revenue and profitability. These factors have necessitated increased borrowing in order to meet working capital needs. The Company will continue to require short-term bank borrowings to finance operations. The cost and availability of these borrowing sources will be affected by any significant change in short-term interest rates.

PROVISION FOR TAXES (EXTRAORDINARY CREDITS)

For the first three months of 1992, the Company did not record a provision for income tax expense due to the existence of operating losses in each of its major operating units. In addition, the Company has a substantial level of operating loss carryforwards in its operating units which would otherwise have eliminated or reduced any provisions for taxes on a local basis.

FINANCIAL CONDITION AND LIQUIDITY

	March 31,1992	December 31, 1991
	($ in thousands)	
Working Capital	$12,046	$14,567
Working Capital Ratio	1.6:1	1.8:1
Short-Term Debt (1)	$ 8,484	$6,389
Long-Term Debt	$ 5,864	$6,053
Unused Lines of Credit	$ 3,193	$4,943

(1) includes current portion of long-term debt.

During the three months ended March 31, 1992, the Company's working capital position has decreased due to operating losses sustained during the quarter. As a result, the Company increased short term borrowings over the levels in place at the end of 1991 in order to provide working capital. The increased level of short term borrowing was also required to finance $990 increase in inventory since December 31, 1992. The increase in inventories, substantially all which is in finished goods, is attributable to a lower than expected level of revenues during the first quarter of 1992.

At March 31, 1992, the Company had a total of $18,556 in available lines of credit, of which $15,443 was used in the form of short and long term borrowings and in transaction guarantees. The balance represents unused credit lines available to meet future working capital needs. These credit lines are available from various secured short and long term credit facilities in the United States, Germany, Israel and England. In some cases, these credit lines may be utilized only to the extent that the Company has sufficient accounts receivable and inventory to satisfy collateral requirements set forth in the governing credit agreements.

As of March 31, 1992, the Company was not in compliance with certain financial covenants contained in credit agreements covering short and long term loan agreements with banks in the United States and Israel. The Company has informed the banks of these violations and is in the process of negotiating waivers and changes in these requirements.

A U.S. credit line totaling $1,500 expired in early May 1992. The Company is negotiating an extension of this agreement. In addition, the Company has also been informed by its other U.S. bank lender (an affiliate of an Israeli bank) that the Company must seek other credit sources to replace a $1,000 line of credit since the bank is considered an affiliate of the Company and must phase out its banking relationship with the Company.

Alternative sources of funds must be obtained in order for the Company to improve its liquidity and working capital position, to meet its obligations on a timely basis and to sustain operations at their current level. The Company is actively seeking funds from outside sources, including its current principal shareholder. It is anticipated that the savings from the restructuring will also contribute to meeting working capital requirements.

No assurance can be given that the Company will be able to successfully negotiate the credit extension or replacement line of credit referred to previously, or, secure the additional external sources of funds they are pursuing.

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 11 - Computation of Shares used to Calculate Consolidated Earnings per Share.

(b) There were no reports on Form 8-K filed in the three months ended March 31, 1992.

Exhibit 11

FIBRONICS INTERNATIONAL INC. AND SUBSIDIARIES

Computation of Shares used to Calculate Consolidated Earnings (Loss) per Share

	Three Months Ended March 31,	
	1992	1991
Primary:		
Weighted average number of shares outstanding during the period	6,365,462	6,307,265
Additional Shares from assumed exercise of stock options-treasury stock method	-	266,524
Shares used in calculation of earnings per share	6,365,462	6,573,789
Fully Diluted: (A)	(B)	
Weighted average number of shares outstanding during the period	6,365,462	6,307,265
Additional shares from assumed exercise of stock options-treasury stock method	190,468	336,134
Shares used in calculation of earnings per share	6,555,930	6,643,399

(A) This calculation is submitted in accordance with the Securities Exchange Act of 1934 Release No. 9083, although not required by footnote 2 to paragraph 14 of APB Opinion No. 15, because it results in dilution of less than 3%.

(B) This calculation is submitted in accordance with Regulation S-K, item 601 (b) (11) although it is contrary to paragraph 40 of APB Opinion No. 15 because it produces an anti-dilutive result.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIBRONICS INTERNATIONAL INC.
(Registrant)

Date: May 13, 1992

By: John T. Hislop

John T. Hislop
Joint - chief Executive Officer and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992
Commission File Number 2-76016

4/92,2268

RECD S.E.C.
MAY 1992

FIRST CONTINENTAL BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA (State or other jurisdiction of incorporation or organization)	72-0928582 (I.R.S. Employer Identification No.)
201 Huey P. Long Avenue, Gretna, LA (Address of principal executive offices)	70053 (Zip Code)

Registrant's telephone number, including Area Code: (504) 366-0211

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 Par Value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding March 31, 1992
Common Stock ($1.00 par value)	2,128,096 shares

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FIRST CONTINENTAL BANCSHARES, INC.

FORM 10-Q

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FIRST CONTINENTAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(In Thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and Due from Banks	$ 17,544	$ 21,325
Interest-Bearing Deposits in Banks	-0-	-0-
Investment Securities:		
U. S. Treasury Securities and Obligations of U. S. Government Agencies	47,442	22,448
Mortgage-Backed Securities (guaranteed by government agencies and corporations)	45,967	68,022
State and Political Subdivisions	40	40
Federal Reserve Bank Stock and Other Securities	405	390
Total Investments (market value of approximately $95,286 in 1992 and $94,279 in 1991)	93,854	90,900
Federal Funds Sold	28,200	10,000
Loans	228,843	235,748
Less: Reserve for Possible Loan Losses	(7,526)	(7,147)
Net Loans	221,317	228,601
Bank Premises and Equipment	6,420	6,514
Accrued Interest Receivable	2,053	2,179
Other Real Estate and Foreclosed Property	32,326	32,928
Other Assets	1,656	786
Goodwill	4,317	4,523
TOTAL ASSETS	$407,687	$397,756
LIABILITIES		
Deposits:		
Interest-Free	$ 57,447	$ 54,854
Money Market	64,785	55,136
Savings & NOW	86,381	86,748
Time	160,956	163,354
Interest-Bearing Deposits from Affiliated Banks	413	621
Total Deposits	369,982	360,713
Short-Term Borrowings	6,546	6,860
Notes Payable	16,126	16,017
Mandatory Convertible Debentures	6,000	6,000
Senior Debenture	662	639
Accrued Interest Payable	5,756	5,619
Other Liabilities	3,503	2,812
TOTAL LIABILITIES	408,575	398,660
Minority Interest	4,054	3,937
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred Stock - 500,000 shares authorized: 140,000 shares designated as Class A Cumulative Convertible Preferred Stock - par value $1 per share; 135,974 shares issued and outstanding	11,422	11,422
Common Stock - par value $1 per share, 5,000,000 shares authorized; 2,145,151 shares issued, of which 17,055 are held as treasury stock at March 31, 1992 and December 31, 1991	2,145	2,145
Surplus	2,741	2,741
Undivided Losses	(21,132)	(21,031)
Less: Treasury Stock	(118)	(118)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(4,942)	(4,841)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$407,687	$397,756

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands Except Per Share Data)
(Unaudited)

	For the Three Months Ended March 31	
	1992	1991
INTEREST INCOME:		
Interest and fees on loans	$ 6,589	$ 6,718
Interest on investments:		
United States Government & Agencies	894	200
Mortgage-backed securities	875	1,159
State and political subdivisions	1	2
Interest on federal funds sold & other	185	255
Total interest income	8,544	8,334
INTEREST EXPENSE:		
Interest on deposits:		
Money Market	512	726
Savings and NOW	723	873
Time	2,233	3,183
Interest on short-term borrowings	70	197
Interest on note payable and debentures	357	308
Total interest expense	3,895	5,287
NET INTEREST INCOME	4,649	3,047
PROVISION FOR POSSIBLE LOAN LOSSES	852	700
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	3,797	2,347
OTHER INCOME:		
Service charges on deposit accounts	658	644
Other charges, commissions and fees	437	400
Other operating income	375	86
Security gains (losses)	-0-	(1)
Total other income	1,470	1,129
OTHER EXPENSES:		
Salaries and employee benefits	1,761	1,652
Net occupancy expense	383	428
Other real estate expenses	1,696	451
Other operating expenses	1,412	1,165
Total other expenses	5,252	3,696
INCOME (LOSS) BEFORE MINORITY INTERESTS	15	(220)
Less: Minority interest	116	(61)
NET (LOSS)	(101)	(281)
PREFERRED STOCK DIVIDENDS AND ACCRUED INTEREST	(486)	(511)
NET LOSS APPLICABLE TO COMMON STOCK	$ (587)	$ (792)
Earnings Per Share:		
Net (loss)	$ (.05)	$ (.13)
Preferred stock dividends and accrued interest	(.23)	(.24)
Net (loss) applicable to common stock	$ (.28)	$ (.37)

The accompanying notes are an integral part of this statement.

FIRST CONTINENTAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1991, 1990, 1989 and
For the Quarter Ended March 31, 1992

(In Thousands)

	Class A Cumulative Preferred Stock		Common Stock		Surplus	Treasury Stock		Undivided Profits (Losses)
	Shares	Amount	Shares	Amount	Amount	Shares	Amount	
BALANCE, DECEMBER 31, 1988..	135,974	$11,422	2,145,151	$2,145	$2,741	(17,055)	$(118)	$(7,536)
Net Loss - 1989....	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(2,909)
BALANCE, DECEMBER 31, 1989..	135,974	11,422	2,145,151	2,145	2,741	(17,055)	(118)	(10,445)
Net Loss - 1990 (As Restated)....	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(9,747)
BALANCE, DECEMBER 31, 1990 (AS RESTATED)....	135,974	11,422	2,145,151	2,145	2,741	(17,055)	(118)	(20,192)
Net Loss - 1991....	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(839)
BALANCE, DECEMBER 31, 1991..	135,974	11,422	2,145,151	2,145	2,741	(17,055)	(118)	(21,031)
Net Loss - 3/31/92.	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(101)
BALANCE, MARCH 31, 1992.....	135,974	11,422	2,145,151	2,145	2,741	(17,055)	(118)	(21,132)

FIRST CONTINENTAL BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 1992
(Unaudited)

(In Thousands)	March 31, 1992
OPERATING ACTIVITIES:	
Net income (loss)	$ (101)
Minority interest	116
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Provision for possible loan losses	852
Provision for other real estate losses and write-down to market value.	1,379
Depreciation	143
Provision for (recovery of) litigation loss	-0-
Amortization of purchase adjustments	206
Amortization (accretion) of security premium and discount	(64)
Accretion of senior debentures and note payable	132
(Gain) loss on sale of investments	-0-
(Gain) loss on sale of other real estate	(5)
Decrease (increase) in accrued interest receivable	126
Increase (decrease) in accrued interest payable	137
Increase (decrease) in other liabilities	691
Net change in other assets	(870)
Net cash provided by operating activities	2,742
INVESTING ACTIVITIES:	
Proceeds from sales of investment securities	-0-
Proceeds from maturities and calls of investment securities	7,225
Purchases of investment securities	(10,243)
Net change in loan portfolio	4,307
Net change in Federal Funds sold	(18,200)
Proceeds from sale of other real estate owned	1,482
Net purchase of premises and equipment	(49)
Net cash provided by (used in) investing activities	(15,478)
FINANCING ACTIVITIES:	
Net increase (decrease) in interest-free, money market, savings and NOW deposits	11,875
Net increase (decrease) in certificates of deposit	(2,606)
Net decrease in short-term borrowings	(314)
Net cash provided by (used in) financing activities	8,955
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,325
CASH AND CASH EQUIVALENTS AT MARCH 31, 1992	$17,544

The accompanying notes are an integral part of these statements.

FIRST CONTINENTAL BANCSHARES, INC.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 1991
(Unaudited)

(In Thousands)	March 31, 1991
OPERATING ACTIVITIES:	
Net income (loss)	$ (281)
Minority interest	61
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Provision for possible loan losses	700
Provision for other real estate losses and write-down to market value.	185
Depreciation	197
Amortization of purchase adjustments	225
Amortization (accretion) of security premium and discount	(129)
Accretion of senior debentures	87
Loss on sale of investments	1
(Gain) Loss on sale of other real estate	(1)
Decrease (increase) in accrued interest receivable	596
Increase (decrease) in accrued interest payable	(1,147)
Increase (decrease) in other liabilities	(361)
Net change in other assets	(558)
Net cash provided by operating activities	(425)
INVESTING ACTIVITIES:	
Proceeds from sales of investment securities	9,239
Proceeds from maturities and calls of investment securities	825
Purchases of investment securities	(1,748)
Net change in loan portfolio	7,344
Net change in Federal Funds sold	(12,393)
Proceeds from sale of other real estate owned	182
Purchase of premises and equipment	(17)
Net cash provided by investing activities	3,432
FINANCING ACTIVITIES:	
Net decrease in interest-free, money market, savings and NOW deposits.	(568)
Net increase (decrease) in certificates of deposit	(12,427)
Net increase (decrease) in short-term borrowings	599
Net cash used in financing activities	(12,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,648
CASH AND CASH EQUIVALENTS AT MARCH 31	$13,259

The accompanying notes are an integral part of these statements.

FIRST CONTINENTAL BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reference is made to Note 2 to the consolidated financial statements included in First Continental Bancshares, Inc., Securities and Exchange Commission filing on Form 10-K dated March 26, 1992 for a summary of significant accounting policies.

2. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly First Continental Bancshares' financial position as of March 31, 1992 and December 31, 1991, the results of operations for the three-month periods ended March 31, 1992 and 1991, the consolidated statements of changes in shareholders' equity for the years ended December 31, 1991, 1990, 1989 and for the period ended March 31, 1992, and the cash flow for the three-month periods ended March 31, 1992 and 1991, respectively.

3. First Continental Bancshares, Inc. ("the Company"), was incorporated under the laws of the State of Louisiana on November 4, 1981, for the purpose of serving as a bank holding company. On June 30, 1982, the Company acquired 100% of the stock of Continental Bank ("Continental"), Harvey, Louisiana, in exchange for 2,009,250 shares of common stock, and 100% of the stock of First National Bank of Jefferson Parish ("FNJ") for a combination of cash, Class A Cumulative Convertible Preferred stock and common stock. Continental was simultaneously merged into FNJ. As a result, the acquisition of Continental was recorded utilizing the pooling of interest method of accounting while the acquisition of FNJ was recorded utilizing purchase accounting. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

4. Reference is made to Note 1 to the consolidated financial statements included in First Continental Bancshares, Inc. Securities and Exchange Commission filing on Form 10-K dated March 26, 1992 for the discussion labeled "Liquidity and Capital Resources" regarding the transaction pursuant to which 19.9% of the ownership of First National Bank of Jefferson Parish by First Continental was delivered to Collecting Bank, N.A., a special purpose bank created by First City, Texas - Houston, National Association, as partial consideration for the settlement of debt.

5. Earnings per share is computed by dividing net income (loss) less preferred stock dividends and accumulated interest on cumulative unpaid dividends by the weighted average number of shares of common stock outstanding during the period. The Preferred Stock and mandatory convertible subordinated debentures are not common stock equivalents and the effect of assuming their conversion in computing fully diluted earnings per share was determined to be anti-dilutive. The warrant outstanding at the Bank level, if converted to common stock, was determined to be anti-dilutive at March 31, 1992.

FIRST CONTINENTAL BANCSHARES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION AND EARNINGS

(Unaudited)

FINANCIAL CONDITION
==================

LIQUIDITY AND CAPITAL RESOURCES

As disclosed in previous filings of the Company, (i) the Company has transferred to Collecting Bank, N.A. ("Collecting Bank") 62,685 shares of FNJ common stock (the "Transferred Bank Stock"), (ii) FNJ has issued to Collecting Bank a warrant to acquire an additional 52% of the outstanding FNJ common stock, with FNJ having the right to defer Collecting Bank's exercise of the warrant by making certain "exercise deferral payments" and (iii) the Company issued to Collecting Bank a Senior Debenture in the principal amount of $2 million, which bears interest at the rate of 7% per annum until March 31, 1995 and at the rate of 10% per annum thereafter. The Senior Debenture has no maturity date and is redeemable at the option of the Company within five years of its issuance for $1 million. The transfer of the FNJ common stock and the issuance of the warrant and the Senior Debenture were undertaken in connection with the forgiveness of the Company's indebtedness to First City, Texas - Houston, National Association ("First City"), a national bank that is affiliated with Collecting Bank. The transactions pursuant to which these interests were transferred to Collecting Bank is hereinafter referred to as the "Restructuring."

The first of the exercise deferral payments on the warrant, which is in the amount of $362,000 was due on March 1, 1992 and as of this report date has not been paid. Thereafter, annual payments of $500,000 are required for each succeeding year through 1995, and annual payments of $1,168,000 are required through 1998, to defer the exercise of the warrant. If the Bank fails to make an exercise deferral payment within one hundred fifty (150) days from the date such payment was due, (in the case of the first exercise deferral payment, by July 28, 1992), Collecting Bank has the right to exercise its warrant and acquire an additional 52% of the Bank stock. In such event, the Company would own the remaining 28% of the Bank common stock on a fully-diluted basis. If the Company were to subsequently liquidate the remaining 28% of the Bank common stock, the Company's $6 million in subordinated debt and $11.4 million liquidation preference on its outstanding preferred stock would consume any cash generated in the liquidation and the value of the Company common stock would be virtually worthless. In order for the Bank to have the necessary resources to make the exercise deferral payment that is due by July 28, 1992, either a dividend payment must be approved by the Office of the Comptroller of the Currency (OCC), the Federal Reserve and the Bank's Board of Directors or the Company must raise the cash through a capital infusion or debt. The Company is pursuing several options to sell debt, equity, or a combination thereof to raise funds to repurchase these instruments. There is no guarantee that the required approvals for the dividend payment will be granted or that the Company will be able to raise capital or incur debt in the required amounts.

For a complete discussion of the Restructuring, including a discussion of the accounting treatment thereof, please refer to 1991 Form 10-K, dated March 26, 1992, Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations".

REGULATORY ISSUES AND CAPITAL

Certain Regulatory Developments - The Company. In December 1991 the Federal Reserve Board (the "Board") conducted an examination of the Company and the Bank. In its report the Board notes that the Company has a severe capital problem, and as a result has indicated that if the Company's consolidated capital is not raised to a satisfactory level by June 30, 1992, the Board will consider formal enforcement action to address this problem.

During the first quarter of 1992 the Company has continued with its plan to resolve the concerns identified by the Board through continued efforts to restructure its indebtedness to Collecting Bank and to improve its capital position through earnings and/or capital infusion.

Certain Regulatory Developments - The Bank. For a complete discussion of the concerns identified by the Board and of a no debt/no dividend letter issued by the Board on June 11, 1986, please refer to the 1991 Form 10-K, dated March 26, 1992, Item 7: "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Certain Regulatory Developments - The Company".

In January 1992, the Bank agreed to an amendment to a previously executed Formal Agreement with the OCC, which imposed additional commitments on the Bank. First, the Bank was required either (i) to achieve by March 1, 1992 (and thereafter maintain) Tier 1 capital at least equal to five and one-half percent (5.5%) of risk weighted assets and Tier 1 capital at least equal to five percent (5.0%) of average adjusted total assets, or (ii) to submit a capital plan approved by the Deputy Comptroller agreeing to maintain capital at the levels specified in that capital plan. The amendment further requires the Board of the Bank to develop a three-year capital program that includes specific plans for the maintenance of adequate capital, projections for growth and capital requirements, projections of the sources and timing of additional capital to meet the Bank's needs and a dividend policy. Once approved by the District Administrator, the Bank must implement and adhere to the capital program. The Bank also committed that by February 9, 1992, it would rescind the previously discussed June 29, 1990 Settlement Agreement and Supplemental Settlement Agreement ("Agreements") with Collecting Bank and reverse the September 4, 1990 warrant issued to Collecting Bank pursuant to the Agreements. The amendment further stipulates that if the Bank is unable to rescind the Agreements, the Board must document its efforts to achieve such a rescission and explain, in writing, why these efforts were unsuccessful. In such event, the Board was required to develop an alternative plan to eliminate the Bank's liability to Collecting Bank under the Agreements including, but not limited to, the sale of the Bank.

The Bank submitted its three-year capital program and its alternative plan to eliminate the Bank's liability to Collecting Bank under the Agreements to the District Administrator of the OCC in early March 1992 and is awaiting the District Administrator's response. The Bank has also documented its efforts to restructure the warrant issue with Collecting Bank. (For a complete discussion of the proposed plan see Form 10-K December 1991, dated March 26, 1992, Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations".)

The Bank is substantially in compliance with the requirements of the Formal Agreement and Amended Formal Agreement as signed, however, there is no guarantee at this time that the OCC will accept the alternative capital ratios specified in the three-year capital program and the alternative plan as presented to eliminate the Bank's liability to collecting Bank under the Agreements. If the OCC does not accept the Bank's alternative capital ratios or its plans regarding the liability to Collecting Bank, the Bank may be deemed to be in violation of the Amended Formal Agreement, as amended. Continued violation of the Agreement could result in the issuance of a cease and desist order by the OCC, removal of the Bank's officers and directors, the imposition of civil monetary penalties and termination of FDIC insurance.

General. As reported in previous Annual Report and quarterly filings, the Company has $6 million 12% Mandatory Convertible Debentures outstanding, for which interest has not been paid since May 15, 1988 and $11.422 million of Class A Preferred Stock outstanding, upon which the Company has not paid dividends since the last quarter of 1986. For a complete discussion on these two items please refer to 1991 Form 10-K, dated March 26, 1992, Item 7: "Managements Discussion and Analysis of Financial Condition and Results of Operations" and to the notes to the audited financial statements contained herein.

Effective December 31, 1990, the Company and the Bank were subject to new regulatory risk-based capital guidelines. In the risk-based capital computation, all assets are weighted based upon assigned risk factors, and certain off-balance sheet items are included, such as loan commitments and standby letters of credit. Capital is separated into two categories, Tier 1 and Tier 2, which combine for Total Capital. Tier 1 consists of common stockholders' equity, perpetual preferred stock and minority interest. Tier 2 capital consists of the allowance for loan losses and subordinated debt, subject to certain limitations. The guidelines provide for a transition period which became effective December 31, 1990 and requires Total Capital of 7.25 percent of risk weighted assets, half of which must be Tier 1. By year-end 1992, Total Capital must be 8 percent, half of which must be Tier 1 capital.

In conjunction with the risk-based capital guidelines, the regulators have also issued capital leverage guidelines. The leverage ratio consists of Tier 1 capital as a percent of average total assets. The minimum leverage ratio for all banks and bank holding companies is 3 percent, with a higher leverage ratio generally required for all but the healthiest of banks or bank holding companies.

The Company's and the Bank's capital ratios, which were not in compliance with regulatory requirements, were as follows at March 31, 1992 and December 31, 1991, respectively (dollar amounts in thousands):

March 1992* ---COMPANY---

	Regulatory		Actual		(Shortfall) Overage
Ratios	%	$	%	$	$
Tier 1	3.625	9,824	(4.540)	(12,310)	(22,134)
Total	7.250	19,649	(4.540)	(12,310)	(31,959)
Leverage	3.000	11,952	(3.090)	(12,310)	(24,262)

----BANK----

	Regulatory		Actual		(Shortfall) Overage
Ratios	%	$	%	$	$
Tier 1	3.625	9,809	4.960	13,421	3,612
Total	7.250	19,617	9.047	24,479	4,862
Leverage	3.000	11,989	3.358	13,421	1,482

	Regulatory Formal Agreement Guidelines		Actual		(Shortfall) Overage
Ratios	%	$	%	$	$
Tier 1	5.500	14,882	4.960	13,421	(1,461)
Leverage	5.000	19,982	3.358	13.421	(6,561)

December 1991* ---COMPANY---

	Regulatory		Actual		(Shortfall) Overage
Ratios	%	$	%	$	$
Tier 1	3.625	9,883	(4.520)	(12,326)	(22,209)
Total	7.250	19,766	(4.520)	(12,326)	(32,092)
Leverage	3.000	11,808	(3.130)	(12,326)	(24,134)

----BANK----

	Regulatory		Actual		(Shortfall) Overage
Ratios	%	$	%	$	$
Tier 1	3.625	9,869	4.831	13,153	3,284
Total	7.250	19,739	8.780	23,914	4,175
Leverage	3.000	11,686	3.377	13,153	1,467

* The ratios presented reflect the warrant issued to Collecting Bank and accretion on the Senior Debenture as components of Total Capital only.

The table above compares the actual capital position of the Company and the Bank to the minimum regulatory capital ratios. However, these minimum regulatory ratios are applicable only to the most sound banks and bank holding companies. The current condition of the Company and the Bank call for the maintenance of capital at higher levels than those set forth above, and pursuant to the agreement between the Bank and the OCC described above, the Bank has been asked to achieve Tier 1 capital of at least 5.5% of risk-weighed assets and a leverage ratio of at least 5.0%.

The tables clearly disclose that the Company does not have regulatory capital in significant amounts. The failure by the Company to maintain capital at adequate levels could result in the denial, conditioning or revocation of applications filed with the Federal Reserve Board, the issuance of a capital directive by the Federal Reserve Board, the seeking and obtaining of a cease and desist order, and the assessment of civil monetary penalties against the Company and its officers and directors.

At the time the warrant issued to Collecting Bank was recorded on the Bank's balance sheet, approximately $5.1 million was shifted from retained earnings to the carrying value of the warrant. If the warrant is cancelled, the capital would flow back into retained earnings, thus restoring the capital accounts of the Bank to their position prior to the delivery of the warrant to Collecting Bank. Assuming that the warrant matter is satisfactorily resolved, management believes that the Bank's capital will be at levels such that any capital directive imposed on the Bank by the OCC could be reasonably attained by the Bank; however, there is no assurance that the warrant matter will be satisfactorily resolved.

RESULTS OF OPERATIONS

The following is Management's discussion and analysis of certain significant factors which have affected First Continental Bancshares' earnings during the three-month periods ending March 31, 1992 and 1991.

	Three Months Ending March 31, 1992	Three Months Ending March 31, 1991	Dollar Change	%
Interest & Fees on Loans	$ 6,589	$ 6,718	$ (129)	(1.9)
Interest on Investment Securities	1,770	1,361	409	30.0
Other	185	255	(70)	(27.5)
Total Interest Income	8,544	8,334	210	2.5
Interest on Deposits	3,468	4,782	(1,314)	(27.5)
Interest on Short-Term Borrowings	70	197	(127)	(64.5)
Interest on Debt	357	308	49	15.9
Total Interest Expense	3,895	5,287	(1,392)	(26.3)
Net Interest Income	4,649	3,047	1,602	52.6
Provision for Loan Losses	852	700	152	21.7
Other Non-Interest Income	1,470	1,129	341	30.2
Other Non-Interest Expense	5,252	3,696	1,556	42.1
Net Income/(Loss) Before Minority Interest	15	(220)	235	106.8
Less: Minority Interest	116	(61)	55	90.2
Net Income (Loss)	$ (101)	$ (281)	$ 180	64.1

INTEREST INCOME AND EXPENSE

Interest income increased $210,000 for the three months ended March 31, 1992 as compared to the same period in 1991.

As the table below indicates, the most significant items responsible for this modest increase were interest received on U. S. agency instruments and on other loans, offset by a decrease in interest on commercial loans.

(000's)	March 1992 YTD	March 1991 YTD	--Variance-- Amount	%
Interest on Fed Fund Sold	$ 180	$ 240	$ (60)	(25)
Other Short-Term Investments	-0-	3	(3)	(100)
Interest on U. S. Treasuries	198	200	(2)	(1)
Interest on U. S. Agencies	1,571	1,159	412	36
Other Securities Interest	5	13	(8)	(62)
Interest on Loans:				
Commercial	3,343	3,930	(587)	(15)
Installment	2,438	2,482	(44)	(2)
Other	664	253	411	162
Less: Int. Reversed N/A Loans	(86)	(126)	40	(32)
Fees on Loans	231	180	51	28
Total Interest Income	$8,544	$8,334	$ 210	3

The increase in interest income of $210,000 for the two comparable three-month periods ended March 31, 1992 and 1991, respectively, reflects (i) a decline in the average rate earned on Fed Funds Sold from 5.82% in 1991 to 3.99% in 1992, a 31% reduction, and (ii) an increase in the investment portfolio income of $402,000, as the year-to-date average balances within the investment portfolio increased from $62,938,000 in 1991 to $93,659,000 in 1992. The composition and related yields for the two comparable periods were as follows:

	--1st Quarter 1992-- Average Balance	Yield	--1st Quarter 1991-- Average Balance	Yield
Investment Securities:				
U. S. Treasury Securities	$13,541	5.86%	$11,415	7.09%
U. S. Government Agencies	78,688	7.90%	51,082	9.08%
State and Municipal Bonds	40	9.28%	80	9.38%
Federal Reserve Stock	323	5.81%	361	5.44%
Other Taxable Securities	1,067	5.70%	0	0.00%
Total Investment Securities	$93,659	7.60%	$62,938	8.84%

The increase in the average balances of the investment portfolio in 1992 reflects the combined efforts of continuing weak loan demand and an increase in the volume of deposits, substantially all of which were invested in investment securities.

The decline in interest income attributable to commercial loans of $587,000 was the result of a decline in the year-to-date average balance of loans outstanding from $142,119,000 in 1991 to $133,281,000 in 1992, a decline of $8,838,000 or 6.2%. This decline reflects increased payoffs within the portfolio, the transfer of loans to non-accrual status, and an ongoing weak loan demand. The average yield on commercial loans also declined, from 11.38% in 1991, to 10.33% in 1992; the result of the continued downward trend in rates affecting those loans that mature and are refinanced, and those variable rate loans that are adjusted to various rate indices.

The increase in "Other" interest on loans of $411,000 was attributable to interest collected on non-accrual loans; specifically one large credit which resulted in a collection of $413,704 during the first quarter of 1992.

Total interest expense declined by $1,392,000 for the comparable three-month periods ended March 31, 1992 and 1991, respectively. The specific components and related average balances and yield calculations were:

	----Year-To-Date 1992----			----Year-To-Date 1991----		
(000's)	Interest Expense	Average Balance	Yield	Interest Expense	Average Balance	Yield
Interest on Deposits:						
NOW & Super NOW	$ 352	$ 46,756	3.03%	$ 470	$ 41,031	4.60%
Savings Deposits:						
Regular Savings	371	39,867	3.73%	403	31,274	5.23%
Money Market Savings	232	29,074	3.21%	354	26,839	5.35%
Premium Savings	280	31,730	3.54%	372	26,920	5.61%
Total Savings	883	100,671	3.52%	1,129	85,033	5.39%
Certificates of Deposit	2,233	167,470	5.36%	3,183	167,984	7.62%
Short-Term Borrowings	70	7,890	3.56%	197	12,133	6.53%
Subtotal	3,538	322,787	4.41%	4,979	306,181	6.54%
Note Payable & Debenture	357	16,696	8.60%	308	16,341	7.58%
Total	$3,895	$339,483	4.61%	$5,287	$322,522	6.59%

Per the table above, the "Subtotal" line indicates the reason for the decline in interest expense for the two comparable periods. The decline in interest rates, both on a national scale and at the Bank level locally, has resulted in a very favorable impact on the net interest margin of the Bank. Management has been aggressive with the pricing structure within the local market so as to enhance margin whenever possible.

INTEREST RATE SENSITIVITY

Management continuously reviews the Company's exposure to changes in interest rates. Among the factors considered during its evaluations are changes in the mix of earning assets, growth of earning assets, interest rate spreads and repricing periods. Management forecasts and models the impact various interest rate fluctuations would have on net interest income. One such model measures the interest rate sensitivity gap which presents, at a particular point in time, the matching of interest rates sensitive assets with interest rate sensitive liabilities.

By Repricing Dates at March 31, 1992:

(Dollars in Thousands)	0-30 Days	31-90 Days	91-180 Days	181-365 Days	> 1 Year	Non-Int Bearing	Total
Assets							
Investment Securities	$ 12,687	$ 2,686	$ 3,003	$ 3,002	$ 72,153	$ -	$ 93,531
Loans	51,326	14,052	17,731	31,033	107,175	-	221,317
Money Market Assets	28,200	-	-	-	323	-	28,523
Other Assets	-	-	-	-	-	64,316	64,316
Total Assets	$ 92,213	$ 16,738	$ 20,734	$ 34,035	$179,651	$ 64,316	$407,687
Sources of Funds							
Premium Savings/NOW	$ 78,268	$ -	$ -	$ -	$ -	$ -	$ 78,268
Money Market Savings	31,343	-	-	-	-	-	31,343
CD's < $100,000	14,092	19,557	37,027	21,609	26,796	-	119,081
CD's > $100,000	3,728	2,003	3,021	2,000	600	-	11,352
Public Funds	2,087	101	812	1,324	-	-	4,324
IRA's	1,806	3,613	4,307	5,217	11,669	-	26,612
Regular Savings	-	-	-	-	41,555	-	41,555
Short-Term Borrowings	6,546	-	-	-	-	-	6,546
Long-Term Debt	-	-	-	-	22,788	-	22,788
Non-Interest Bearing Deposits	-	-	-	-	-	57,447	57,447
Other Liabilities	-	-	-	-	-	13,313	13,313
Stockholders' Equity	-	-	-	-	-	(4,942)	(4,942)
Total Sources of Funds	$137,870	$ 25,274	$ 45,167	$ 30,150	$103,408	$ 65,818	$407,687
GAP	$(45,657)	$ (8,536)	$(24,433)	$ 3,885	$ 76,243	$ (1,502)	$ -
Cumulative GAP	$ -	$(54,193)	$(78,626)	$(74,741)	$ 1,502	$ -	$ -
Cumulative GAP as a Percent of Total Assets	(11.2%)	(13.3%)	(19.3%)	(18.3%)	-	-	-

PROVISION FOR LOAN LOSSES

Per the schedule below, the analysis of the loan loss reserve for the last nine quarterly periods was as follows:

	3/31/92	12/31/91	9/30/91	6/30/91	3/31/91	12/31/90	9/30/90	6/30/90	3/31/90
Beginning Balance	$7,147	$7,158	$6.970	$7.371	$9.016	$9.031	$8.750	$8.896	$9.251
Charge-Offs:									
Comm, Fin & Agric	(399)	(145)	(46)	(188)	(294)	(197)	(100)	(31)	(154)
R/E - Comm	-0-	(238)	(136)	(353)	(1.539)	(160)	(48)	(815)	(187)
R/E - Residential	(80)	-0-	(80)	(304)	(623)	(129)	(38)	(650)	(133)
Installment & Other	(197)	(159)	(199)	(236)	(278)	(221)	(164)	(863)	(760)
Total Charge-Offs	(676)	(542)	(461)	(1.081)	(2.734)	(707)	(350)	(2.359)	(1.234)
Recoveries:									
Comm, Fin & Agric	85	139	43	52	309	138	127	281	70
R/E - Comm	-0-	-0-	4	-0-	-0-	50	31	58	161
R/E - Residential	87	163	108	151	46	39	25	47	128
Installment & Other	31	29	44	27	34	50	28	11	70
Total Recoveries	203	331	199	230	389	277	211	397	429
Net Charge-Offs	(473)	(211)	(262)	(851)	(2.345)	(430)	(139)	(1.962)	(805)
Provision Charged to Expense	852	200	450	450	700	415	420	1.816	450
Balance at Qtr-End	$7.526	$7.147	$7.158	$6.970	$7.371	$9.016	$9.031	$8.750	$8.896
Average Total Loans	231.432	247,467	251,941	256.740	255.488	267.243	267.943	272.423	275.439
Ratio of Net Charge-Offs to Average Loans Outstanding	.20%	.09%	0.10%	0.33%	0.92%	0.16%	0.05%	0.72%	0.29%

The provision charged to expense amount of $852,000 for the quarter ending March 31, 1992, which was larger than any of the previous years' quarterly provisions, was largely the result of the replenishment of the reverse after a large charge-off during the quarter of one specific credit for $377,000. (See Form 10-K, December 1991, dated March 26, 1992, Item 3: Legal Proceedings, for additional information.)

In 1991 four specific credits having an aggregate principal balance of $2.1 million deteriorated in the first quarter. Although formerly identified as problem loans for which specific reserves aggregating $303,000 had been established, charge-offs of $772,000 in excess of amounts reserved against such loans proved to be necessary when the Bank received updated independent appraisals of the underlying collateral. Notwithstanding the charge-offs, the loan loss reserve was still considered by management to be adequate to cover other possible losses inherent in the entire loan portfolio. However, management believed it prudent to increase the provision by $250,000 in the first quarter of 1991 compared to the first quarter of 1990 to partially replenish the loan loss reserve following the additional charge-offs of the four credits.

The provision of $450,000 taken during the second quarter of 1991 was $250,000 less than the first quarter because the provision taken in the first quarter had replenished the reserve to a satisfactory level after charge-offs of those four credits, and no significant new problem credits surfaced in the second quarter. In addition, approximately $875,000 that had been previously reserved against specific credits was transferred to the general unallocated loan loss reserve following the better than expected resolution of two problem credits.

The provision taken during the second half of 1991 of $650,000 was deemed adequate by management based upon an analysis of the portfolio by its internal loan review staff.

Management analyzes the adequacy of the loan loss reserve portfolio at least quarterly and makes provisions to the reserve in accordance with the guidelines of OCC Circular #201. In accordance with this circular, management assigns specific reserves to significant problem loans. In addition, other factors such as concentrations of credit, historical loss experience, portfolio volume, maturity and composition, trends in delinquencies and non-accruals, changes in lending policies and procedures, economic conditions, and any changes to portfolio management and support staff, are evaluated in determining an adequate overall provision for loan losses as well as the adequacy of the loan loss reserve.

Non-Performing Assets	Dec 1990	Mar 1991	Jun 1991	Sep 1991	Dec 1991	Mar 1992
Non-Accrual Loans	$13,188	$ 8,881	$ 6,722	$ 6,676	$ 6,526	$ 6,030
Other Real Estate Owned (net)	32,407	34,548	34,682	33,876	32,336	32,326
Other Assets Repossessed	272	591	516	568	592	514
Restructured Troubled Debt	1,666	1,659	1,299	542	731	730
Past Due 90 Days, Still Accruing	4,536	2,248	1,148	1,180	2,194	787
Total	$52,069	$47,927	$44,367	$42,842	$42,379	$40,387
	=======	=======	=======	=======	=======	=======

Per the table above, non-performing assets declined by $7,540,000 or 15.7% for the two comparable quarter ending periods March 31, 1992 and 1991, respectively. The decline in this area is the result of a concerted effort by management to reduce, work out and/or sell non-performing assets.

NON-INTEREST INCOME

Non-interest income increased by $341,000 or 30.2% for the two comparable three-month periods ended March 31, 1992 and 1991, respectively. The major categories of non-interest income and their related variances were:

(000's)	March	March		
	1992	1991	--Variance--	
Non-Interest Income	YTD	YTD	Amount	%
Service Charges on Accounts	$ 425	$ 387	$ 38	10
Net Overdraft, NSF Fees	233	257	(24)	(9)
Credit Card Income	39	35	4	11
Trust Income	149	130	19	15
Human Resource, Audit and Accounting Fees	41	51	(10)	(20)
Other Income	180	191	(11)	(6)
Miscellaneous Income	403	79	324	410
Security Gains (Losses)	0	(1)	1	100
Total Non-Interest Income	$1,470	$1,129	$ 341	30
	======	======	======	====

Service charges on accounts increased by 10%, the result of programs established by management to enhance and generate collectible charges for services performed. The increase in Trust Income was the result of increased activity in that area along with a competitive pricing strategy. The decline in Human Resource, Audit and Accounting fees of $10,000 or 20% for the two comparable periods was the result of a decrease in services performed for third parties (i.e., other banks) in 1992 as compared to 1991. The increase in Miscellaneous Income of $324,000 or 410% was largely the result of a reversal of previously accrued legal fees totalling $343,000 relating to certain litigation that settled during 1991.

NON-INTEREST EXPENSE

Non-interest expense increased by $1,556,000, or 42.1%, for the comparable three-month periods ended March 31, 1992 and 1991, respectively. Expenses relating to these comparable periods and their related variances were:

(000's)	March 1992 YTD	March 1991 YTD	--Variance--	
			Amount	%
Salaries/Benefits	$ 1,761	$ 1,652	$ 109	6.6
Occupancy & Equipment	383	428	(45)	(10.5)
Legal and Professional Fees	266	194	72	37.1
Data Processing Fees	195	160	35	21.9
Advertising	42	19	23	121.1
FDIC Fees	201	171	30	17.5
Other Real Estate Expenses (Net of Income)	1,695	451	1,244	275.8
Other	709	621	88	14.2
Total Non-Interest Expense	$ 5,252	$ 3,696	$1,556	42.1
	=======	=======	======	=====

Salaries and employee benefits increased by $109,000, or 6.6%, primarily due to a decrease in salary reimbursements from a related bank for whom services performed have been discontinued and an increase in accrued employee benefits.

Occupancy and equipment expense decreased by $45,000, or 10.5%, due to decreased depreciation expense as bank owned assets became fully depreciated.

Legal and professional fees increased by $72,000, or 37.1%, due to increases in legal fees of $75,000 relating to the Ocean Energy settlement, (see Form 10-K, December 1991, dated March 26, 1992, Item 3: Legal Proceedings, for additional information), CPA fees of $17,000 relating to restatement of prior period regulatory reports, and Directors fees of $7,000. These were offset by an $18,000 decrease in management fees. FDIC insurance premiums paid by the Bank increased when compared to the same quarter last year by $30,000 or 17.5%, due to continuing upward pressure on FDIC fees.

Other real estate expenses, net of income, consisted of the following:

(000's)	March 1992 YTD	March 1991 YTD	--Variance--	
			Amount	%
Appraisal Fees	$ 34	$ 35	$ (1)	(2.9)
Legal	236	168	68	40.5
Maintenance, Insurance & Taxes	566	529	37	7.0
Provision for Write-Downs	1,379	185	1,194	645.4
OREO Income	(514)	(466)	(48)	10.3
Gain on Sale of ORE	(5)	-0-	(5)	-0-
Total	$1,696	$ 451	$1,245	276.1
	======	======	======	=====

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Salaries and employee benefits increased by $109,000, or 6.6%, primarily due to a decrease in salary reimbursements from a related bank for whom services performed have been discontinued and an increase in accrued employee benefits.

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Total	$1,696	$ 451	$1,245	276.1
	======	======	======	=====

OREO RESERVE ANALYSIS

	3/91	6/91	9/91	12/91	3/92
Balance at Beginning of Period	$ 975	$ 943	$ 795	$ 982	$1,326
Provision for Losses	276	652	652	1,156	1,379
Losses Charged to Reserve	(345)	(800)	(465)	(896)	(976)
Recoveries	37	-	-	84	23
Balance at End of Period	$ 943	$ 795	$ 982	$1,326	$1,752

The $1,245,000, or 276.1%, increase in other real estate expenses (net of income and gain on sale) for the quarter ended March 31, 1992 as compared to the corresponding 1991 quarter was due primarily to the increase of $1,194,000, or 645.4%, in the provision for other real estate write-downs. Management replenished the reserve after annual appraisals, both externally and internally generated, showed the need for additional write-downs, which were recognized in the first quarter. Management continues to monitor the reserve to assure its adequacy.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Ocean Energy, Inc. and Power Well Service, Inc. versus First National Bank of Jefferson, et al. Trial is set for December 1, 1992.

(b) Eubanks versus First City Bank and First National Bank of Jefferson Parish. Oral arguments on the Eubanks' appeal were heard May 5, 1992; a decision is not expected for at least 90 days.

(c) George Lafferty versus First National Bank of Jefferson Parish. Trial has been set for September 14, 1992.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

Information regarding the Company's arrearage in the payment of dividends is included in Part I of this Quarterly Report on 10-Q under the heading "Management's Discussion and Analysis of the Consolidated Statements of Financial Condition and Earnings -- Financial Condition -- Regulatory Issues and Capital - General" and is incorporated herein by reference.

Information regarding the debt settlement and payment of warrant exercise deferral payments is included in Part I of this Quarterly Report on 10-Q under the heading "Management's Discussion and Analysis - Financial Condition - Liquidity and Capital Resources." (See also Form 10-K, December 1991, filed - March 26, 1992, Item 7: Management's Discussion and Analysis.)

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession -- Not applicable

(4) Instruments defining the rights of security holders including indentures -- Not applicable.

(11) Statement re computation of per share earnings -- Included in Part I, Page 4.

(15) Letter re unaudited interim financial information -- Not applicable.

(18) Letter re change in accounting principles -- Not applicable.

(19) Previously unfiled documents -- Not applicable.

(20) Report furnished to security holders -- Not applicable.

(23) Published report regarding matters submitted to vote of security holders -- Not applicable.

(24) Consents of experts and counsel -- Not applicable.

(25) Power of attorney -- Not applicable.

(b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST CONTINENTAL BANCSHARES, INC.

May 14, 1992
Date

BY: ______________________
Elton A. Arceneaux, Jr.
President

May 14, 1992
Date

BY: ______________________
Edward J. Bourgeois
Treasurer

0 17438

92 13 9480

① 35726

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992 .... I92-22608

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to ....

Commission file number 0-13161

First-Knox Banc Corp.
....
(Exact name of registrant as specified in its charter)

Ohio .... (State or other jurisdiction of incorporation or organization)	31-1121049 (I.R.S Employer Identification No.)

One South Main Street, Mount Vernon, Ohio 43050
....
(Address of principal executive offices)
(Zip Code)

(614) 393-5500
....
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
....

C30

Number of shares of Common Stock, Par Value $3.125 per share at April 24, 1992

Authorized	3,000,000
Issued & Outstanding	1,343,655

PROCESSED BY
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MAY 14 1992

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FIRST-KNOX BANC CORP.

FORM 10-Q

QUARTER ENDED MARCH 31, 1992

Part I - Financial Information

Interim Financial Information required by Rule 10-01 of Regulation S-X and Item 303 of Regulation S-K is included in this Form 10-Q as referenced below:

Page Number

Item I Unaudited Financial Statements:

Consolidated Balance Sheet 3

Consolidated Statement of Income 4

Condensed Consolidated Statement of Changes in Shareholders' Equity 5

Condensed Consolidated Statement of Cash Flows 6

Notes to the Consolidated Financial Statements 7

Item II Management's Discussion and Analysis of Financial Condition and Results of Operations 10

FIRST-KNOX BANC CORP.
Consolidated Balance Sheet
($ Amounts in Thousands)

	March 31, 1992	December 31, 1991
ASSETS		
Cash and due from banks	$9,112	$11,824
Federal funds sold	14,400	7,800
Cash and cash equivalents	23,512	19,624
Investment securities (market value $49,867 and $51,886) (Note 2)	48,425	49,712
Mortgage-backed securities (market value $48,533 and $52,549) (Note 2)	48,025	51,241
Loans and lease financing (Note 3)	268,861	261,554
Less allowance for loan and lease losses (Note 4)	(2,878)	(2,905)
Net loans and lease financing	265,983	258,649
Premises and equipment, net	4,942	5,073
Accrued interest receivable and other assets	7,795	7,445
TOTAL ASSETS	$398,682	$391,744
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	$33,165	$33,744
Interest bearing demand	35,535	34,418
Savings	110,382	100,093
Time	175,608	178,665
Total deposits	354,690	346,920
Short-term borrowings	7,381	8,638
Long term debt	5,224	5,300
Accrued interest payable and other liabilities	3,606	3,742
TOTAL LIABILITIES	370,901	364,600
Shareholders' equity (Note 1):		
Common stock, par value $3.125 per share; authorized 3,000,000 shares -- issued and outstanding 1,343,655 in 1992 and 1,343,403 in 1991	4,199	4,198
Paid-in capital	11,965	11,959
Retained earnings	11,617	10,987
TOTAL SHAREHOLDERS' EQUITY	27,781	27,144
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$398,682	$391,744

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Consolidated Statement of Income
($ Amounts in thousands except per share data)

	3 Months Ending March 31, 1992	3 Months Ending March 31, 1991
Interest income:		
Loans and Leases, including fees	$6,476	$6,761
Investment and mortgage-backed securities		
Taxable	1,470	1,601
Non-taxable	376	409
Federal funds sold	80	194
TOTAL INTEREST INCOME	8,402	8,965
Interest expense:		
Deposits	4,180	5,073
Short-term borrowings	114	159
Long-term debt	104	113
TOTAL INTEREST EXPENSE	4,398	5,345
Net interest income	4,004	3,620
Provision for loan & lease losses (Note 4)	304	226
Net interest income after provision for loan and lease losses	3,700	3,394
Other income:		
Income from fiduciary activities	105	99
Service charges on deposit accounts	262	259
Securities gains	3	
Other	187	182
TOTAL OTHER INCOME	557	540
Other expense:		
Salaries & employee benefits	1,365	1,298
Occupancy and equipment	381	415
FDIC Insurance	197	159
Other	1,189	1,087
TOTAL OTHER EXPENSE	3,132	2,959
Income before federal income taxes	1,125	975
Federal income tax expense	252	180
Net income	$873	$795
Earnings per common share (Note 1):		
Primary	$0.65	$0.59
Fully Diluted	$0.61	$0.56
Weighted average common shares outstanding (Note 1): Primary	1,343,555	1,343,403
Fully Diluted	1,553,403	1,553,403

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.

Condensed Consolidated Statement of Changes in Shareholders' Equity

($ Amounts in thousands except per share data)

	3 Months Ending March 31, 1992	1991
alance, beginning of period	$27,144	$24,586
52 shares of common stock issued upon conversion of 8.5% convertible, subordinated debentures	6	
st income	873	795
ash dividends, declared at a per share rate of $.18 in 1992 and $.17 in 1991 (Note 1)	(242)	(231)
alance, end of period	$27,781	$25,150

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Condensed Consolidated Statement of Cash Flows
($ Amounts in thousands)

	3 Months Ending March 31,	
	1992	1991
Net cash provided by operating activities	$886	$254
Cash Flows from Investing Activities:		
Purchases of investment and mortgage-backed securities	(4,132)	(8,518)
Proceeds from sales of investment and mortgage-backed securities	139	
Proceeds from maturities of investment and mortgage-backed securities	8,496	3,417
Net increase in loans and leases	(11,347)	(3,440)
Proceeds from sale of loans	3,709	
Expenditures for premises and equipment	(24)	(273)
Proceeds from sales of other real estate owned		101
Net cash applied to investing activities	(3,159)	(8,713)
Cash Flows from Financing Activities,		
Net increase in deposit accounts	7,770	11,572
Net (decrease) in short-term borrowings	(1,257)	(175)
Principal repayments of long-term debt	(70)	(70)
Cash dividends paid	(282)	(256)
Net cash provided by financing activities	6,161	11,071
Net Increase in Cash and Cash Equivalents	3,888	2,612
Cash and cash equivalents at beginning of period	19,624	20,678
Cash and Cash Equivalents at end of period	$23,512	$23,290
Supplemental Cash Flow information:		
Interest Paid	$4,444	$5,425
Income Taxes Paid	$77	$0

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Notes to the Consolidated Financial Statements

Note 1 - SUMMARY OF ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the First-Knox Banc Corp., and its wholly-owned subsidiaries; The First-Knox National Bank and The Farmers and Savings Bank. All significant intercompany transactions have been eliminated.

These interim financial statements are prepared without audit and reflect all adjustments of a normal and recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of First-Knox Banc Corp. at March 31, 1992 and its results of operations and cash flows for the periods presented. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances. Accordingly, these financial statements should be read in conjunction with the 1991 consolidated financial statements and notes thereto of First-Knox Banc Corp. included in its Annual Report for the year ended December 31, 1991.

The provision for income taxes is based upon the effective tax rate expected to be applicable for the entire year.

Primary earnings per share is computed based on the weighted average shares outstanding during the year. Fully diluted earnings per share is computed by adding the after tax interest cost of the convertible, subordinated debentures to net income and dividing the results by the fully diluted weighted average shares outstanding during the year. Fully diluted shares are calculated assuming the conversion of each $1,000 of debentures outstanding for 42 shares of common stock. All per share data has been adjusted for a 5% stock dividend declared in July, 1991, and distributed in October, 1991.

During the first quarter of 1992 no options for common shares or stock appreciation rights were granted. At March 31, 1992, no options have been exercised. The effect of exercising the outstanding options would result in less than 3% dilution in earnings per share and accordingly, have not been computed. There was no material compensation recognized during the first quarter of 1992 or the first quarter of 1991 related to stoc appreciation rights. At March 31, 1992 exercisable options and stock appreciation rights are not material.

The Corporation through its subsidiary banks grants residential, consumer, and commercial loans to customers in the central Ohio counties of Knox, Morrow, Holmes, Ashland and Richland. In addition the Corporation is in the business of commercial and consumer leasing. Commercial loans, mortgage loans, consumer loans and leases comprise 24.5%, 54.2%, 20.7%, and 0.6% of total loans and leases respectively, at March 31, 1992.

The Corporation in it normal course of business, makes commitments to extend credit which are not reflected in the financial statments. At March 31, 1992, unused credit lines amounted to approximately $35,003,000 and commitments under outstanding letters of credit amounted to approximately $353,000. Since many commitments to make loans expire without being used, the amount does not necessarily represent future cash commitments. Collateral obtained related to the commitments is determined using management's credit evaluation of the borrower and may include real estate, vehicles, business assets, deposits, and other items. In managements's opinion these commitments represent normal banking transactions, and no material losses are expected to result therefrom.

Certain items in the 1991 financial statements have been reclassified to correspond with the 1992 presentation.

Note 2 - INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES:

Investment securities and mortgage-backed securities are carried at cost adjusted for amortization of premiums and accretion of discounts. Gains and losses on sales of securities are computed on the identified security method. The amortized cost and estimated market value of investments in debt securities are as follows at March 31, 1992 and December 31, 1991:

March 31, 1992

($ amounts in thousands):	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
U.S. Treasuries and Agencies	$21,316	$222	($74)	$21,464
States and Political Subdivisions	25,856	1,112	(30)	26,938
Other	1,253	212		1,465
Total Investment Securities	48,425	1,546	(104)	49,867
Mortgage-backed securities	48,025	608	(100)	48,533
TOTAL	$96,450	$2,154	($204)	$98,400

December 31, 1991

($ amounts in thousands):	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
U.S. Treasuries and Agencies	$21,223	$445		$21,668
States and Political Subdivisions	26,233	1,495	(6)	27,722
Other	2,256	240		2,496
Total Investment Securities	49,712	2,180	(6)	51,886
Mortgage-backed securities	51,241	1,329	(21)	52,549
TOTAL	$100,953	$3,509	($27)	$104,435

At March 31, 1992 the contractual maturities of debt securities had not changed significantly from the schedule shown for December 31, 1991.

Proceeds from the sale of debt securities were $139,000 during the first quarter of 1992 resulting in gross gains of $3,000.

Note 3 - LOANS AND LEASE FINANCING:

Loans and leases are comprised of the following ($ amounts in thousands):

	March 31, 1992	Dec 31, 1991
Real estate loans......................	$145,708	$141,281
Loans to farmers, other than real estate loans.....................	4,420	4,417
Commercial and industrial loans.........	51,269	47,979
Consumer and credit card loans..........	55,728	58,155
Obligations of states and political subdivisions................	6,775	6,626
Other loans.............................	3,403	1,788
Lease Financing.........................	1,558	1,308
	$268,861	$261,554

Note 4 - ALLOWANCE FOR LOAN AND LEASE LOSSES:

Activity in the allowance for possible loan and lease losses is summarized as follows for the three months ended March 31 ($ amounts in thousands):

	1992	1991
Balance, beginning of period..............	$2,905	$2,715
Provision for loan and lease losses.......	304	226
Losses charged to the allowance, net of recoveries of $37 and $32..............	(331)	(181)
Balance, end of period....................	$2,878	$2,760

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion focuses on the consolidated financial condition of First-Knox Banc Corp. at March 31, 1992, compared to December 31, 1991, and the results of operations for the three months ended March 31, 1992, compared to the same period in 1991. The purpose of this discussion is to provide a better understanding of the consolidated financial statements. This discussion should be read in conjunction with the interim consolidated financial statements and footnotes included in this Form 10-Q. The Registrant is not aware of any market or institutional trends, events or uncertainties that will have or are reasonably likely to have a material effect on liquidity, capital resources or operations except as discussed herein. Other than as discussed herein, the Registrant is not aware of any current recommendations by regulatory authorities which would have such effect if implemented.

Financial Condition

Liquidity

Liquidity relates to the Corporation's ability to meet cash demands of its customers and their credit needs. Liquidity is provided by the Corporation's ability to readily convert assets to cash and raise funds in the market place. Traditional asset liquidity is provided by cash and readily marketable, short-term assets such as federal funds sold and deposits in other banks.

Cash, amounts due from banks and federal funds sold totaled $23.51 million at March 31, 1992. These assets as well as scheduled loan payments and maturing investment securities, provide the Corporation with an adequate source of funds for expected future demand for loans and for fluctuations in deposit volume. They also provide management with the flexibility to change the composition of interest earning assets as market conditions change in the future. The sale of $3.7 million in mortgage loans during the first quarter of 1992 provided funding for increased mortgage loan demand.

Liability liquidity relates to the Corporation's ability to retain existing deposits, obtain new deposits and borrow in the market place. Total deposits increased $7.77 million for the three months ended March 31, 1992. This increase was represented by growth in retail and public savings deposits. Management anticipates core deposits to continue to experience moderate growth or remain stable.

Capital Resources

Shareholders' equity totaled $27.78 million at March 31, 1992, compared to $27.14 million at December 31, 1991. This increase was due primarily to earnings retention. As of March 31, 1992, the ratio of shareholders' equity to assets was 6.97% compared to 6.93% at December 31, 1991.

Cash dividends declared during the three months ended March 31, 1992 were $241,858 or $.18 per share representing 27.71% of net income and an increase of 5.02% over the first three months of 1991.

Risk-Based Capital

The Federal Reserve established risk-based capital requirements for U.S. banking organizations, calling for risk weights to be assigned to on and off-balance sheet items in arriving at risk adjusted total assets. At March 31, 1992, the required minimum ratio to risk-adjusted assets was 7.25%, of which at least half must consist of equity capital. At year-end 1992, the minimum total capital ratio becomes 8.0%, of which at least 4.0% must consist of equity capital net of any goodwill. The Corporation currently complies with these requirements as the consolidated risk-based capital ratio at March 31, 1992, was 13.41%. The Corporation's Tier I and leverage ratios at March 31, 1992, have not changed significantly from those disclosed in the Corporation's annual report on Form 10-K for the year ended December 31, 1991.

Changes in Financial Condition

Consolidated total assets were $398.7 million at the end of the current period after recording growth of $6.94 million or 1.77% during the first three months of 1992. This growth was funded almost entirely by deposits which increased by $7.77 million during the first three months of 1992. Most of the deposit growth was in savings deposits. Federal funds sold increased by over $6.6 million, loans and leases increased by $7.3 million, and investments and mortgage-backed securities decreased by $4.5 million during the first three months of 1992. The real estate loan portfolio increased by $4.43 million or 3.13%, while commercial and other loans increased $5.06 million or 8.32%. Consumer and credit card loans declined by $2.43 million or 4.17%, while lease financing balances decreased by $.23 million or 12.86%.

The allowance for loan and lease losses as a percentage of loans and leases was 1.07% at the end of the current period and 1.11% at the end of 1991. Net loan and lease charge-offs were $331,000 for the first three months of 1992 representing an annualized rate of .50% of the average loan and lease balances. This represented an increase of $150,000 in net charge-offs compared to the first quarter of 1991. Net charge-offs for commercial loans were $80,000 or 173.91% higher than 1991 while net charge-offs for consumer and credit card loans were $43,000 or 33.08% higher than 1991. Management anticipates similar quarterly losses for the remainder of 1992. Loans past due more than 90 days plus loans placed in non-accrual status were $2.31 million or 0.86% of outstanding balances at March 31, 1992 compared to $2.52 million or 0.96% of outstanding balances at the end of 1991.

Results of Operations

Consolidated net income of $873,000 for the first quarter of 1992 was 9.81% over the same period in 1991. Expressed as annualized returns on average assets and average shareholders equity, respectively, first quarter net income for 1992 was .89% and 12.71% compared to .84% and 12.78% for 1991. Primary earnings per share increased $.06 to $.65 for the first quarter of 1992 compared to the same period in 1991. Fully diluted earnings per share increased $.05 to $.61 per share for first quarter 1992 compared to the first quarter 1991.

The increased level of net income for 1992 resulted primarily from a 10.61% increase in net interest income. This was partially offset by a 5.85% increase in non-interest expenses. Non-interest income recorded growth of $17,000 or 3.15%. These items are discussed in more detail below.

Increased net interest income resulted from a $15.03 million or 4.20% increase in average earning assets, and an improvement in the annualized net interest margin rate (net interest income adjusted for tax-exempt income restated to a pre-tax equivalent based on the statutory federal tax rate [FTE] divided by average earning assets) of 20 basis points to 4.54%, compared to the first quarter of 1991. The net interest spread percentage (the FTE average earning asset yield minus the average cost of funds) improved 27 basis points to 3.92% for the first quarter of 1992 compared to the same period of a year ago.

Non-interest income of $557,000 during the first quarter of 1992 represented an annualized .57% of average assets compared to $540,000 or .57% of average assets for the same period in 1991. Fiduciary income essentially kept pace with trust asset growth.

The 5.85% comparative increase in non-interest expenses for the first quarter of 1992 related principally to increased data processing costs as a result of the subsidiary banks enhancing their data processing capabilities in February 1991. Increased FDIC deposit premiums also made a notable contribution to the increase. These non-interest expenses also include employee salaries, pensions and group health insurance costs as well as occupancy, advertising, state taxes and other operating expenses.

As a percentage of income before federal income taxes, federal income tax expense was 22.40% during the first quarter in 1992 and 18.46% during the first quarter in 1991. These effective tax rates are lower than the statutory tax rate of 34% due primarily to tax exempt income from obligations of states and political subdivisions and non-taxable loans.

The Financial Accounting Standards Board's Statement No. 109, " Accounting for Income Taxes" is required to be adopted by the Corporation no later than 1993. Statement 109 requires a change from the deferred method to the assets and liability method of accounting for income taxes. Current and deferred tax assets and liabilities will be determined based on tax rates and laws enacted as of the balance sheet date. The Corporation has determined that the cumulative effect of this accounting change, if adopted would not have a material impact on net income. The Corporation has elected not to adopt this pronouncement in 1992.

The Financial Accounting Standards Board's Statement No. 106, " Employers Accounting for Postretirement Benefits Other Than Pensions," is scheduled to become effective for the Corporation in 1993. This pronouncement will require employers to accrue the cost of retiree health and other post-retirement benefits during the working career of active employees. A preliminary analysis of the statement indicates that the after tax expense for the Corporation would be approximately $125,000 for the first quarter of 1993, which includes amortization of the actuarially computed transition obligation. The actuarial and benefit assumptions used in this analysis are subject to change and could materially impact the actual expense after adoption of this statement.

PART II - OTHER INFORMATION
(Items which are not applicable have been omitted)

Item 4 - Submission of Matters to a Vote of Security Holders

The annual shareholders' meeting was held on March 24, 1992. The following was voted on by the shareholders:

	VOTING	
	Affirmative	Negative
Amendment to the Articles of Incorporation to increase the authorized common shares of the Corporation to 3,000,000.	1,213,739	8,770

The proxy statement dated February 25, 1992, describing these matters in detail, was included as an exhibit to the Corporation's annual report on Form 10-K for the year ended December 31, 1991.

Item 6 - Exhibits and Reports on Form 8-K.

Description	Location
(a) Exhibit 4 --- Indenture Dated June 8, 1989, between The Corporation and National Bank of Detroit, as Trustee.	Incorporated herein by reference to Exhibit 4 to the Corporation's Annual Report On Form 10-K For the period ended December 31, 1990

(b) No reports on Form 8-K were filed during the fiscal quarter covered by this report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First-Knox Banc Corp.
(Registrant)

Date______May 13, 1992

Carlos E. Watkins
President and Chief Executive Officer

Date______May 13, 1992

Gordon E. Vance
Vice President & Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

J92.2268

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992 Commission File No. 0-15231

KRISCH AMERICAN INNS, INC.
(Exact name of registrant as specified in its charter)

VIRGINIA	54-1371474
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1917 Franklin Road, S.W. Roanoke, Virginia	24014
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(703)342-4531

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X YES ____ NO

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value	5,916,666
Class	Outstanding at May 1, 1992

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PART 1: FINANCIAL INFORMATION

KRISCH AMERICAN INNS, INC.

Consolidated Balance Sheets

Assets	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash	$56,594	58,116
Receivables	103,265	80,623
Inventories	26,108	36,790
Prepaid expenses	69,060	90,082
Total current assets	255,027	265,611
Property and equipment, less accumulated depreciation of $4,431,442 and $5,289,671 at March 31, 1992 and December 31, 1991, respectively	15,597,292	19,605,184
Deferred charges and other assets	165,555	287,084
	$16,017,874	20,157,879
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt	11,587,822	11,747,525
Accounts payable	260,775	310,039
Accrued expenses	228,031	114,659
Due to affiliate (note 5)	2,325,315	2,120,388
Total current liabilities	14,401,943	14,292,611
Long-term debt, excluding current installments	970,887	4,912,423
Deferred rent payable	161,067	143,170
Stockholders' equity:		
Preferred stock, no par value. Authorized 5,000,000 shares, none issued	0	0
Common stock, no par value. Authorized 10,000,000 shares, 5,916,666 issued and outstanding	7,150,342	7,150,342
Accumulated deficit	(6,666,365)	(6,340,667)
Total stockholders' equity	483,977	809,675
	$16,017,874	20,157,879

See accompanying notes to consolidated financial statements.

KRISCH AMERICAN INNS, INC.
Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended March 31, 1992	1991
Sales and income:		
Room rentals	873,065	1,027,238
Food and beverage sales	283,320	342,499
Other income	28,278	20,722
Total sales and income	1,184,663	1,390,459
Departmental cost:		
Room	380,698	363,118
Food and beverage	246,378	297,883
Total departmental cost	627,076	661,001
Gross operating income	557,587	729,458
General expenses:		
Selling, general and administrative	321,445	367,043
Franchise fees and assessments	74,916	94,046
Utilities	106,968	127,078
Maintenance	76,022	67,434
Property taxes	37,893	49,434
Depreciation	229,117	301,673
Interest and amortization (note 8)	237,405	506,335
Gain on sale of property (note 7)	(200,481)	0
	883,285	1,513,043
Net loss	($325,698)	($783,585)
Net loss per common share	($0.06)	($0.13)

See accompanying notes to consolidated financial statements.

KRISCH AMERICAN INNS, INC.
Consolidated Statements of Cash Flows
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Cash received from customers	$965,482	$1,383,747
Cash paid to suppliers and employees	(934,072)	(1,369,631)
Interest paid(net of amount capitalized)	(211,693)	(477,102)
Net cash provided (used) by operating activities	(180,283)	(462,986)
Cash flows from investing activities:		
Proceeds transferred in sale of property	(32,213)	0
Capital expenditures	(3,963)	(145,908)
Decrease (increase) in deferred charges and other assets	32,491	(8,407)
Net cash used in investing activities	(3,685)	(154,315)
Cash flows from financing activities:		
Repayment of long-term debt and short-term borrowings	(22,481)	(110,053)
Due to affiliate increase	204,927	643,279
Proceeds from issuance of long-term debt	0	0
Net cash provided (used) by financing activities	182,446	533,226
Net increase (decrease) in cash and cash equivalents	(1,522)	(84,075)
Cash and cash equivalents at beginning of year	58,116	123,839
Cash and cash equivalents at end of period	$56,594	$39,764

Reconciliation of net income to net cash provided by operating activities:

	1992	1991
Net loss	($325,698)	($783,585)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	254,829	330,906
Gain on sale of property	(200,481)	0
Deferred rent payable	17,897	17,897
Change in current assets and liabilities:		
Receivables (increase) decrease	(22,642)	(6,945)
Inventories (increase) decrease	10,682	1,946
Prepaid expenses (increase) decrease	21,022	19,633
Accounts payable increase (decrease)	(49,264)	(34,963)
Accrued expenses increase (decrease)	113,372	(7,875)
Net cash used by operating activities	($180,283)	($462,986)

See accompanying notes to consolidated financial statements.

Krisch American Inns, Inc.
NOTES TO FINANCIAL STATEMENTS

1. The Company was formed in May 1986 and is engaged in the business of owning and acquiring hotels and motels, all of which are operated by an affiliated management company, Krisch Hotels, Inc.(KHI).

2. The balance sheet as of March 31, 1992 and the related statements of operations and changes in financial position for the three months ended March 31, 1992 are unaudited. In the opinion of management all adjustments necessary for a fair presentation of such financial statements have been included. Interim results are not necessarily indicative of results for a full year.

3. Per Share Information
   Net earnings(loss) per share is based on the weighted average number of shares of common stock outstanding (5,916,666) during each period.

4. Income Taxes
   The Company's loss carryforward from operations of $6,666,365 will begin to expire in 2002 if not used to offset future taxable income.

5. Related Party Transactions
   The Company paid KHI management fees of $42,909 for the three months ended March 31, 1992. This amount is included in selling, general and administrative expenses. In addition, the Company has a payable of $2,325,315 to KHI as a result of various intercompany transactions.

6. Commitment
   On April 20, 1990, the Company with KHI entered an agreement to jointly and severally personally guarantee to pay any costs of construction or operating deficits incurred by Sugar Bay Associates Limited Partnership prior to December 1, 1992 which exceeds the amounts allocated in the loan agreement.

7. Sale of Property
   On January 28, 1992 the Company sold its 154 room Ramada Inn Wytheville, Virginia and recorded a gain from this sale of $200,481 (as previously reported in the 10-K and annual report).

8. In January, 1992 the Company received a $56,478 refund of interest from a bank. This refund was for interest overcharges which began accruing in January, 1990.

Krisch American Inns, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following comments should be read in conjunction with "Management's Discussion and Analysis" appearing on page 2 of the Company's 1991 Annual Report to Shareholders.

RESULTS OF OPERATIONS

Room revenue decreased 15% from the comparable quarter in 1991 as a result of the sale of the Wytheville property, room revenue for the remaining properties increased 2.8% as a result of a an increase in occupancy rate from 46.42% to 50.37% and a 7.5% decrease in the average daily rate . The decline in average daily rate was a result of decreases at all the remaining properties. The decline in average daily rate reflects an effort to maintain market share during the economic slowdown. In addition, room departmental cost increased as a percentage of revenue as a result of an increase in salaries and benefits.

Food and beverage revenue on the remaining properties increased 19.7% from the comparable quarter in 1991 reflecting a 58.4% increase at the Newark Sheraton. As a result, food and beverage departmental cost decreased 7.2% as a percentage of revenue.

General expenses on the remaining properties decreased as a percentage of revenue from the comparable quarter in 1991. The decrease of these expenses as a percentage of revenue is attributable to the increase in total revenues and the semi-fixed nature of these expenses as well as a signigicant decrease in interest expense. Interest expense decreased because of a decline in the prime rate and a refund of interest overcharges (see note 8).

LIQUIDITY AND CAPITAL RESOURCES

Net working capital (excluding the effects of the Wytheville property) decreased $274,520 in the quarter ended March 31, 1992. This decrease was the result of the repayment of long-term obligations of $17,382, the expenditure of $3,685 for capital items, deferred charges and other assets, and cash used by operations before changes in current assets and current liabilities of $253,453. The ability of the Company to continue as a going concern is uncertain. The Company intends to continue its plan to liquidate all non-performing properties. The Company is pursuing all available alternatives to reach mutually satisfactory solutions with its lenders and creditors, however, at the present time no conslusion can be made as to the ultimate outcome of these matters. If the Company is successful in completing its restructuring it will continue to own the Hampton Inn, Glen Burnie, MD. and a 49% limited partnership interest in the resort hotel in the U.S. Virgin Islands.

PART II

Item 5. Other Information

In June of 1990, Sugar Bay Associates Limited Partnership (the "Partnership") entered in a contract with Frank J. Rooney, Inc. of Ft. Lauderdale, Florida, for the construction of a 300-room resort hotel in St. Thomas, U.S. Virgin Islands. The Company, through a wholly owned subsidiary, is a 49% limited partner of the Partnership. Construction has begun on the hotel which is projected to cost in excess of $50,000,000. Completion is expected in August of 1992. The Partnership also received its Industrial Tax Exemption. This Exemption will relieve the Partnership from the payment of real estate and certain other taxes for a term of ten years. The hotel is to be known as "Sugar Bay Plantation Resort" , and will be operated as a Holiday Inn Resort.

Item 6(a). Exhibits - NONE

Item 6(b). A report on Form 8-K was filed on January 31, 1992 during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date May 12, 1992 By ______________________
Samuel [illegible]. Krisch,II, President

Date May 12, 1992 By ______________________
Brady L. Sheffer, Vice President-Finance

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

KG2-22608

FOR 13 WEEKS ENDED
MAR. 28, 1992

COMMISSION FILE NUMBER
0-3107

LLOYD'S SHOPPING CENTERS, INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PROCESSED BY 9/9 CS
1992
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NEW YORK
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

14-137325
(I.R.S. EMPLOYER IDENTIFICATION NO.)

330 ROUTE 211 EAST, MIDDLETOWN, NEW YORK
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

10940
(ZIP CODE)

NONE
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) WAS SUBJECT TO SUCH FILING REQUIREMENT FOR THE PAST 90 DAYS.

YES __X__ NO ___.

INDICATE BY CHECK MARK WHETHER THE FINANCIAL STATEMENTS REQUIRED BY INSTRUCTION HAVE BEEN REVIEWED BY AN INDEPENDENT PUBLIC ACCOUNTANT.

YES _____ NO _X_.

COMMON SHARES ISSUED AND OUTSTANDING AS OF APR. 30, 1992: 1,823,262.

BEST COPY AVAILABLE

Lloyd's Shopping Centers, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet

ASSETS	March 28,1992 (unaudited)	Dec. 28,1991
CURRENT ASSETS		
Cash and cash equivalents	$1,393,969	$1,244,665
Accounts receivable	928,552	1,065,655
Inventories	3,382,343	3,400,573
Prepaid expenses	798,558	737,353
Prepaid income taxes	33,859	-
Mortgage receivable (current)	103,140	107,140
TOTAL CURRENT ASSETS	6,640,421	6,555,386
Property, plant and equipment	17,812,778	19,271,004
Less accumulated depreciation	8,055,790	8,525,974
	9,756,988	10,745,030
Other noncurrent assets	434,345	436,553
TOTAL ASSETS	$16,831,754	$17,736,969

LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	-	$1,100,000
Accounts payable & accrued expenses	4,277,617	4,904,151
Current portion of long-term debt	2,191,262	2,533,884
TOTAL CURRENT LIABILITIES	6,468,879	8,538,035
Long-term debt	4,675,675	5,305,814
Other noncurrent liabilities	278,073	265,151
Stockholders' equity		
Preferred stock	76,800	76,800
Common stock	91,163	91,163
Additional paid-in capital	717,980	717,980
Retained earnings	4,523,184	2,742,026
TOTAL STOCKHOLDERS' EQUITY	5,409,127	3,627,969
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$16,831,754	$17,736,969

See notes to Condensed Consolidated Financial Statements

Lloyd's Shopping Centers, Inc. and Subsidiaries
Condensed Consolidated Statement of Income and Retained Earnings
(unaudited)

	13 Weeks Ended March 28,1992	13 Weeks Ended March 30,1991
Sales	$14,534,691	$18,464,450
Cost of goods sold	10,993,479	14,235,282
	3,541,212	4,229,168
Rent income	411,659	451,442
	3,952,871	4,680,610
Selling, general and administrative expenses	3,780,125	4,624,010
Depreciation	299,248	361,934
Interest	179,634	299,706
Gain on sale of assets	(1,925,382)	(496,408)
Miscellaneous income	(163,256)	(91,852)
	2,170,369	4,697,390
Earnings (loss) before provision for income taxes	1,782,502	(16,780)
Tax provision (benefit)		-
Net earnings (loss)	1,782,502	(16,780)
Retained earnings beginning of period	2,742,026	2,349,639
Less dividends	1,344	14,884
Retained earnings end of period	$4,523,184	$2,317,975
Net earnings (loss) per share of common stock	$0.98	$0.00
Dividends per share common stock	$0.00	$0.03

See notes to Condensed Consolidated Financial Statements

Lloyd's Shopping Centers, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows

	13 weeks ended March 28,1992	13 weeks ended March 30,1991
Operating activities:		
Net Income (loss)	$1,782,502	($16,780)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	299,248	361,934
Gain on sale of assets	(1,925,382)	(496,408)
(Increase) decrease in other non-current liabilities	(12,922)	7,591
Decrease(increase) in other assets	(2,208)	(75,312)
Decrease(increase) in cash due to change in certain components	(743,590)	865,438
Net cash provided by (used for) operating activities	(602,352)	646,463
Investing activities:		
Additions to property and equipment	(106,697)	(34,731)
Proceeds from sale of assets	3,000,000	970,454
Principal proceeds on mortgage receivable	4,000	153,479
Net cash provided by investing activities	2,897,303	1,089,142
Financing activities:		
Proceeds from borrowings	-	-
Principal payments on long-term debt	(2,072,761)	(1,755,746)
Principal payments under capital lease obligations	(71,512)	(74,542)
Dividends paid	(1,344)	(14,884)
Net cash used for financing activities	(2,145,647)	(1,845,172)
Net decrease in cash & cash equivalents	149,304	(109,567)
Cash and cash equivalents at beginning of period	1,244,665	964,494
Cash and cash equivalents at end of period	$1,393,969	$854,927
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$161,642	$284,920
Income taxes	24,500	6,700

See notes to Condensed Consolidated Financial Statements

LLOYD'S SHOPPING CENTERS, INC.
AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 28, 1992

The unaudited Condensed Consolidated Balance Sheet as of March 28, 1992 and the Condensed Consolidated Statement of Operations and the Condensed Consolidated Statement of Cash Flows for the three month periods ended March 28, 1992 and March 30, 1991 have been prepared by the Company on a basis consistent with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in financial position have been made.

For interim financial purposes, the Company does not take complete physical inventories in all departments. In departments where physical inventories are not taken, the cost of goods sold complement was based on estimated gross margins for 1992.

For interim financial purposes, the Company computes its tax benefit based upon available carrybacks of Federal and State operating losses.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Condensed Consolidated Financial Statements be read in conjunction with the Financial Statements and notes thereto included in the Company's December 28, 1991 Report to Shareholders. The results of operations for the periods presented are not necessarily indicative of the operating results for the full year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales decreased 21.3% for the 13 week period ended March 28, 1992 compared to the 13 week period ended March 30, 1991 primarily due to the sale of the Warwick Shopping Center in January 1992 and the Big Al's Division in February 1991. Comparative Company sales decreased 4.4% vs. the same period last year.

Rental income for the 13 week period ended March 28, 1992 decreased 8.8% relative to the 13 week period ended March 30, 1991 due primarily to the sale of the Warwick Shopping Center and the Big Al's Division. Comparative Shopping Center rental income for the 13 week period ended March 28, 1992 decreased 1.6% versus the 13 week period ended March 30, 1991.

Selling, general and administrative expenses for the 13 week period this year were 18.3% less than the 13 week period last year. These decreases were due to reductions in payroll, advertising and other operating and administrative expenses.

The decrease in depreciation was primarily due to the sale of the Warwick Shopping Center.

Interest expenses decreased for the 13 week period ended March 30, 1992 over the corresponding 13 week period due to the paydown of $0.7 million of debt associated with the sale of the Warwick Shopping Center, repayment of $1.1 million in lines of credit, redemption of $135,000 in bonds, and lower interest rates on other indebtedness.

Earnings before taxes for the 13 week period ended March 28, 1992 improved over the corresponding 13 week period last year principally due to the gain on the sale of the Warwick Shopping Center, improved margins, reduced operating and administrative expenses, and lower depreciation and interest expense. The Shopping Centers earnings before taxes improved 34.6% versus the comparable period last year. The Gas Division generated net earnings of approximately $40,669 for the quarter versus $39,131 for the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

At March 28, 1992 Lloyd's had working capital of $172,000, while at December 28, 1991 the working capital shortfall amounted to $2.0 million. The current ratio at March 28, 1992 was 1.0 and at December 28, 1991, a deficiency of (0.8).

The increase in working capital was due to the gain on the sale of the Warwick Shopping Center and some improvement in the company's operating results.

At March 29, 1992 the Company had repaid all of its lines of credit.

Capital expenditures totalled $107,000 during the three months ended March 28, 1992. The Company has curtailed its capital investment program and will continue to do so, budgeting an amount of $200,000 for capital improvements for the remainder of fiscal 1992.

During 1992, the Company accumulated an adequate cash reserve to service the Company's bond and mortgage indebtedness through internally generated funds including cash proceeds from the sale of the assets and operations of its Warwick Shopping Center for $3,000,000 in cash. The proceeds were used to retire $0.7 million of debt related to the Warwick Shopping Center, $1.1 million in lines of credit, and the redemption of $135,000 in bonds, with the balance added to the Company's cash reserves. The Company realized a gain on the transaction of approximately $1.9 million.

The Company presently expects to fund current debt service and working capital requirements in 1992 through internally generated funds. The Company will attain this objective as a result of the cost reduction and margin enhancement programs instituted in 1990 and continued throughout 1991 and 1992. These strategies will further improve the Company's operating results and generate sufficient cashflow to meet its working capital requirements and debt service obligations.

Additionally, the Company believes that the 1992 maturities of bond indebtedness can be partially refinanced through existing bondholders. During the period December 28, 1991 to May 10, 1992, the Company had repaid approximately $135,000 to its bondholders.

PART II OTHER INFORMATION

Item 1. Legal Proceedings - none

Item 2. Changes in Securities - none

Item 3. Defaults upon Senior Securities - none

Item 4. Submission of Matters to a vote of Security Holders - none

Item 5. Other Information - none

Item 6. Exhibits and Reports on Form 8-K - none

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lloyd's Shopping Centers, Inc.
(Registrant)

By
Edmund Lloyd,
Chairman of the Board

By
Raymond S. Tadry, President
and Chief Executive Officer

Dated: May 11, 1992

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Form 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

JUL 10 1992
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FORM 10-Q
(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 21, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________.

Commission file number 0-14892

LE PEEP RESTAURANTS, INC.
(Exact name of Registrant
as specified in its charter)

Delaware	84-0917603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4 West Dry Creek Circle, Suite 201, Littleton, CO 80120
(Address of principal executive offices)
(Zip Code)
(303) 730-6300
(Registrant's telephone number including Area Code)

#4 West Dry Creek Circle, Suite 201, Littleton, CO 80120
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

As of June 30, 1992 the registrant had 7,156,203 shares of Common Stock outstanding.

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JUL 15 1992

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PART I

Item 1: CONSOLIDATED FINANCIAL STATEMENTS

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 21, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and equivalents	$343,749	$294,569
Trade and other receivables	33,487	63,764
Inventories	91,442	121,246
Prepaid expenses	202,060	294,916
Preopening expenses		
Other current assets		
Total current assets	670,738	774,495
Property and equipment, net	2,926,807	3,532,058
Net investment in capital lease	871,658	261,476
Goodwill (net of accumulated amortization of $26,653 in 1992 and $24,205 in 1991)	88,347	90,795
Trademarks (net of accumulated amortization of $150,886 in 1992 and $146,260 in 1991)	549,114	553,140
Other intangible assets (net of accumulated amortization of $7,815 in 1992 and $7,605 in 1981)	28,185	28,395
Other assets	238,231	292,436
	$5,373,080	$5,532,795

(continued)

See accompanying notes

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES & STOCKHOLDERS' DEFICIT

	March 21, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable	$ 426,733	$ 473,192
Interest payable to affiliates	1,615,718	1,491,347
Other accrued liabilities	986,894	1,092,790
Current portion of capital lease obligations:		
Affiliates		—
Other	136,083	136,083
Current portion of notes and loans payable:		
Banks		
Affiliates	15,454,852	15,010,650
Total current liabilities	18,620,280	18,204,062
Notes and loans payable to Affiliates	611,847	611,847
Capital lease obligations:		
Affiliates	524,148	524,148
Other	301,358	335,685
Deferred franchise income	230,000	230,000
Stockholder's equity:		
Common stock, $.01 par value; authorized 11,000,000 shares, issued and outstanding 7,156,203 shares in 1992 and 7,118,055 shares in 1991	71,560	71,180
Non-voting senior adjustable rate exchangeable cumulative preferred stock:		
Series A, $01 par value; $100 per share liquidation preference; authorized 34,600 shares	140	140
Series B, $.01 par value, $100 per share liquidation preference, authorized, issued and outstanding 14,000 shares		
Series C, $.01 par value; $100 per share liquidation preference, authorized 50,000 shares		
Series D, $.01 par value; $100 per share liquidation preference, authorized 23,400 shares		
Series E, $.01 par value; $100 per share liquidation preference, authorized 30,000 shares, issued and outstanding 11,525 shares	115	115
Additional paid-in capital	22,088,808	22,022,430
Accumulated deficit	(37,075,176)	(36,466,812)
Total stockholders' deficit	$(14,914,553)	$14,372,947
Total liabilities and stockholder's deficit	5,373,080	5,532,795

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Periods Ended	
	March 21 1992 (Unaudited)	March 23, 1991 (Unaudited)
Revenues:		
Restaurant sales	$2,351,733	$3,592,810
Dinner Test Sales	12,984	79,351
Area development and franchise fees		60,000
Area development rights cancelled		40,000
Franchise royalties	14,288	95,930
Interest and other income	23,090	41,145
	2,402,095	3,909,236
Costs and expenses:		
Cost of sales	578,388	918,298
Restaurant operating costs	1,724,329	2,678,084
Dinner test costs and expenses	12,370	107,123
General and administrative expenses	357,517	522,626
Provision for asset writedown and store closure		33,000
Amortization of preopening expenses and intangibles	6,683	48,185
Interest and other expense	331,172	339,575
	3,010,459	4,646,891
Net loss	$(608,364)	$(737,655)
Dividend requirement on preferred stock	(74,790)	(83,582)
Loss attributable to common stock	$(683,154)	$(821,237)
Net loss per common share	$(0.10)	$(0.12)
Weighted average common shares outstanding	7,156,203	7,117,969

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Periods Ended	
	March 21, 1992 (Unaudited)	March 23, 1991 (Unaudited)
Cash flows from operating activities:		
Net loss	$(608,364)	$(737,655)
Adjustments to reconcile net loss to net cash used by operating activities:		
Provision for restaurant closure		33,000
Depreciation and amortization	161,849	310,855
Area development and franchise fees in excess of proceeds		(60,000)
Changes in assets and liabilities:		
(Decrease) in accounts receivable	30,277	89,481
Decrease (increase) in inventories	29,804	6,366
Decrease in prepaid and other current assets	92,856	(50,736)
(Decrease) increase in accounts payable and accrued expenses	1,179	236,958
Increase in deferred royalty income		7,994
(Increase)decrease in other assets	41,614	5,988
Total adjustments	357,579	579,906
Net cash used in operating activities	(250,785)	(157,749)
Cash flows from investing activities:		
Acquisitions of property and equipment	(69,096)	(49,057)
Preopening expenditures		
Net cash used in investing activities	(69,096)	(49,057)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(35,939)	(44,462)
Principal payments and other reductions on amounts due to affiliate		
Principal payments on notes payable to banks and others		
Proceeds from notes payable to bank		
Advances from affiliates	405,000	409,720
Net cash provided by financing activities	369,061	365,258
Net increase (decrease) in cash	49,180	158,452
Cash and equivalents at beginning of year	294,569	24,709
Cash and cash equivalents at end of period	$343,749	$183,161
Supplemental schedule of non cash investing and financing activities:		
Issuance of common stock under employment agreement	$66,758	0
Issuance of common stock under employee stock ownership plan	0	0
Reclassification of reserve for writedown from property and equipment to accrued liabilities	0	0
Capitalized accrued interest on advances	0	$684,558

See accompanying notes.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated financial information for Le Peep Restaurants, Inc. and Subsidiaries (the "Company") included herein is unaudited with the exception of the Balance Sheet as of December 31, 1991; however, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The results of operations for the three periods ended March 21, 1992 are not necessarily indicative of the operating results for the full year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Le Peep Restaurants, Inc. (the "Company") owns, operates, licenses and franchises Le Peep restaurants. The Company's restaurants specialize in distinctive breakfast, brunch, lunch and dinner dishes cooked to order using original recipes. Le Peep restaurants feature prompt table service in a pleasant and attractive setting designed to appeal to relatively upscale customers.

The Company does not rely on any one vendor for raw materials and supplies with which to supply its restaurants. There are many well known alternative vendors in the market place that could meet the Company's needs should current vendors go out of business. The Company utilizes 15% to 25% of its current assets to maintain a sufficient inventory of food and supplies to meet operations needs.

The Company's training program for new restaurants consists of 4 to 6 weeks of pre-opening training in an existing restaurant. This training is done under the supervision of a training manager and district manager. After opening, the district manager continues to monitor and follow up on training to ensure standards are maintained.

During 1989 the Company developed and implemented a dinner test program in selected Company owned and franchised restaurants. The first restaurant opened for dinner on August 28, 1989. As of March 31, 1991, 4 Company owned and 13 franchised restaurants were serving dinner, and as of June 30, 1992, 2 Company owned and 3 franchised restaurants were open for dinner.

New Developments

Partnership Program. During the third quarter of 1991, the Company developed a program ("Partnership Program") under which marginal Company owned restaurants are financed and operated by other entities. Under the Partnership Program existing officers and employees of the Company have formed or will form separate entities ("Affiliated Entities"), such as limited liability companies or S corporations. The Affiliated Entities, all of which to date are owned and controlled by Mitchel E. Rhoads, the Company's Chairman, in turn have entered or will enter into Partnership Agreements with qualified restaurant operators, consisting of either former employees of the Company or other persons experienced in operating restaurants who have been approved by the Company. In effect, each Affiliated Entity which becomes a partner in a partnership will be the financial partner and furnish the necessary capital to such partnerships to enable the restaurant owned by such partnership ("Partnership Restaurant") to operate. Each qualified restaurant operator ("Operating Partner") provides necessary services to supervise and manage the Partnership Restaurant on a full time basis. Generally, each Affiliated Entity and each Operating Partner share in any profits of the partnership on a 51% and 49% basis, respectively. In addition, each Operating Partner is paid a fixed salary.

Each partnership which operates a Partnership Restaurant is required to enter into a Memorandum of License Agreement and Leasehold Improvement ("License Agreement") with the Company granting such partnership the right to use Le Peep Restaurants' logo, trademarks, trade names, service marks, service system, recipes and menus.

Under certain License Agreements, the Company receives no royalty fees, other than a nominal amount. Under other License Agreements, the Company is entitled to royalty fees of up to 1.5% of all sales by each Partnership Restaurant. In addition, each partnership is required to enter into an Assignment or Sublease Agreement with the Company which grants the partnership a sublease for the remaining term of the underlying facility lease of the Partnership Restaurant and for the leasehold improvements to be operated by such partnerships. Under each Sublease Agreement, each partnership is required to pay rent equal to the amount due under the existing underlying lease agreement for which the Company remains liable. Also, each partnership is required to purchase or lease the equipment and other items of personal property located in the Partnership Restaurant for a period ranging from 60 months to 120 months.

During the first quarter of 1992 4 partnerships were formed under the Partnership Program to operate 4 Partnership Restaurants at the locations below for the monthly equipment lease payments, monthly sublease payments, and royalty fees as follows:

Name of Partnership	Locations of Partnership Restaurants	Monthly Equipment Lease Payments	Monthly Sublease Payments	Royalty
Le Peep Grill of Overland Park	Overland Park, KS	$2,730	$6,859	1.5%
Le Peep Grill of Texas	Beltline, Addison, TX	2,101	7,783	1.0%
Le Peep Grill of Illinois	Evanston, IL	2,246	9,809	1.0%
Le Peep Grill of Illinois	Park Ridge, IL	2,029	7,744	1.0%

The Company's Chairman is the controlling financial partner of the Affiliated Entities with respect to each of the 4 Partnership Restaurants described above.

LE PEEP RESTAURANTS, INC AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Change of Controlling Interest in the Company. Effective February 5, 1992, Mitchel E. Rhoads purchased shares of the Company's common stock and the Company's Series B and E Non-voting Senior Adjustable Rate Exchangeable Cumulative Preferred Stock owned by Eli S. Jacobs and certain corporations and partnerships controlled by Mr. Jacobs ("Jacobs Affiliates" or "his affiliates") and most indebtedness owed by the Company to Eli S. Jacobs and his Affiliates as described in more detail in a Form 8-K filed with the Securities Exchange Commission on March 12, 1992 and as amended on June 1, 1992 by Form 8, both of which are attached as Exhibit 28.4 to this report and incorporated herein by reference.

Mr. Rhoads intends to convert to shares of the Company's common stock a portion of the Company's obligations owed to Mr. Jacobs and his Affiliates ("Obligations to Jacobs"), which were purchased by Mr. Rhoads. It is expected that the Company will issue additional shares of the Company's common stock, in an amount to be determined by the Company, in exchange for the retirement of such portion of the Obligations to Jacobs purchased by Mr. Rhoads. As a consequence, it is anticipated that after the retirement of such Obligations to Jacobs purchased by Mr. Rhoads, the Company will owe Mr. Rhoads a total of $1,484,323, plus interest thereon, which represents the amount of principal and interest owed by Mr. Rhoads to Mr. Jacobs and his Affiliates as set forth in the Form 8-K as amended by Form 8 both of which are attached hereto as an Exhibit 28.4 and incorporated by reference.

It is further anticipated that the Company will submit to its shareholders in the near future a proposal for a reverse split of its common stock as a step in attracting additional financing. Such proposal, if submitted to the Company's shareholders, would be assured of approval in that Mr. Rhoads currently beneficially owns approximately 75% of the Company's outstanding common stock which is the Company's only class of common stock entitled to vote in matters to be approved by its shareholders. Upon shareholder approval of a reverse stock split, the conversion of a portion of the Obligations to Jacobs to shares of the Company's common stock, and payments to fractional shareholders, Mr. Rhoads is expected to own approximately 95% of the outstanding shares of the Company's common stock.

Status of Le Peep Restaurants

At March 21, 1992, there were 16 Company owned restaurants, 26 franchised restaurants, and 11 licensed restaurants. During the first quarter ending March 21, 1992, 4 Company owned restaurants were converted to licensees (Partnership Restaurants). During the first quarter ending March 21, 1992, 1 licensed restaurant was opened.

Between March 21, 1992, and June 30, 1992, 6 Company owned restaurants were converted to licensees (Partnership Restaurants), 1 licensed restaurant was opened and 24 franchised restaurants were converted to licensed restaurants. As of June 30, 1992, there were 9 Company owned restaurants, 2 franchised restaurants and 40 licensed restaurants.

At March 21, 1992, the Company had in effect 3 Area Development Agreements, representing rights for licensees to develop up to 23 Le Peep restaurants in 5 states and the District of Columbia.

Working Capital Loans

During 1991 and prior to February 5, 1992, the effective date of Mr. Rhoads' purchase of the common and preferred stock and certain indebtedness owed by the Company to Mr. Jacobs and his Affiliates, the Company was able to finance its working capital deficiencies with loans from Jacobs' Affiliates in the total amount during such period of $1,669,720 with interest on such principal amount accruing at a bank's prime rate plus 1 1/2%. Such loans are not evidenced by promissory notes, with the exception of $39,000, and are payable upon demand. As of February 5, 1992, the effective date that Mr. Rhoads' purchase from Mr. Jacobs and his Affiliates was consummated, no request had been made by Mr. Jacobs or his Affiliates for any payments on any such loans. Such loans which were included in the loans purchased by Mr. Rhoads are subject to payment upon demand by Mr. Rhoads. However, see "**New Developments - Change of Controlling Interest in the Company**" above as to Mr. Rhoads' intentions.

Under a Loan Agreement between Mr. Rhoads and Mr. Jacobs, dated February 5, 1992, as amended ("Loan Agreement"), Mr. Jacobs and his Affiliates agreed to loan to Mr. Rhoads up to $844,813, of which $343,853 is required to be advanced by Mr. Rhoads to the Company to be used exclusively for general working capital purposes ("Working Capital Loan"). As of April 30, 1992, the full amount of the Working Capital Loan had been advanced by Mr. Jacobs to Mr. Rhoads, who subsequently advanced such amounts to the Company.

The remaining balance of up to $500,960, as provided under the Loan Agreement, is to be loaned by Mr. Jacobs to Mr. Rhoads, upon the written request of Mr. Rhoads, over a period of 16 months beginning with the first loan installment in February, 1992. The funds from such loans are required to be advanced by Mr. Rhoads to the Company for the payment of current rent under certain existing restaurant leases as set forth in the Loan Agreement which is described in the Form 8-K, as amended by Form 8, both of which are attached hereto as Exhibit 28.4 and incorporated by herein reference.

In addition, under the First Amendment to the Loan Agreement, on February 28, 1992 and March 31, 1992, upon written request or Mr. Rhoads, Mr. Jacobs is required to make a loan to Mr. Rhoads of $60,000 and in addition upon the written request of Mr. Rhoads, Mr. Jacobs is required to make a loan in the principal amount of $20,000. The Funds from such loans are required to be advanced by Mr. Rhoads to the Company for payment of amounts due Diversified Properties Company III ("Diversified") in settlement of its claim against the Company and others as set forth in the Conditional Settlement, Mutual General Release and Lease Cancellation Agreement, dated February 27, 1992 among Diversified, the Company, E.S. Jacobs and Company and P.J.L. Southern California Restaurants Corporation.

The Company is placing, as a major priority, the improvement of its operating revenues from Company restaurants and substantial reductions of operating overhead to offset reduced franchise revenues. No major franchising activities are planned that would substantially change the franchise growth rates.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three Periods Ended March 21, 1992 Compared to Three Periods Ended March 23 1991

Breakfast/lunch sales for the three periods ended March 21, 1992 decreased by $1,241,077 when compared to the three periods ended March 23, 1991 . This reduction is primarily due to the reduction of company owned restaurants from 29 open and operating at the end of the first quarter of 1991 to 16 open and operating at the end of the first quarter of 1992. Comparable restaurants sales decreased by 2.5% when compared to the same period in 1990. As of the end of the first quarter 1992 the company had 16 restaurants operating, while in 1991 30 restaurants were operating for the same time period.

Dinner test sales decreased by $66,367 for the three periods ended March 21, 1992 when compared to the three months ended March 23, 1991 . This decrease is a result of a reduction of the number of restaurants serving dinner; 1 company restaurant was serving dinner as of the end of the 1st quarter of 1992; this is compared to 4 company restaurants serving dinner at the end of the 1st quarter of 1991.

No revenues from Area Development Agreements (ADA's) or franchise fees were recognized in the three periods ending March 21, 1992; a $100,000 decrease from a comparable period in 1991.

As of March 21, 1992 the Company has 26 franchised restaurants open and operating and has sold the rights to develop up to 23 franchised restaurants over the next 5 years. However, the Company's policy is to defer the recognition as income of the sales of these rights which have been collected ($230,000 deferred as of March 23, 1992) until the related franchised restaurant opens or the franchisee fails to meet the development schedule and forfeits related development rights.

Franchise royalty revenue for the three periods ending March 21, 1992 decreased $81,642 when compared to the same period in 1991. The decrease is phenomenally due to recognizing less revenue from certain franchises as a result of collectability problems.

LE PEEP RESTAURANTS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth information concerning the amounts and percentages of total restaurant sales compared to the food costs and restaurant operating expenses for Company-owned during the periods indicated.

	Three Periods Ended March 21, 1992		Three Periods Ended March 23, 1991	
	($ in thousands)			
	Amount	Percentage	Amount	Percentage
Breakfast/Lunch				
Restaurant Sales	$2,352	100.0%	$3,593	100.0%
Costs and Expenses:				
Cost of Sales	578	24.6	918	25.5
Labor	753	32.0	1,162	32.3
Occupancy	570	24.2	943	26.3
Amortization of Pre-Opening Expenses			33	.9
Other Operating Costs	405	17.2	574	16.0
Total Food Costs and Restaurant Operating Expenses	2,306	98.0	3,630	101.0
Income (Loss) from Operations	46	2.0	(37)	(1.0)
Dinner Test				
Restaurant Sales	13	100.0	79	100.0
Costs and Expenses	12	92.3	107	135.4
Income (Loss) from Operations	1	7.7	(28)	(35.4)
Restaurant Operations				
Total Income (Loss) from Restaurant Operations	47	2.0	(65)	(1.81)
Number of Company-Owned Restaurants at the End of the Period	16		30	
Number of Company-Owned Restaurants with Dinner Test at the End of the Period	1		4	

Total food costs and restaurant operating expenses decreased as a percent of sales by 3% in the first quarter of 1992 when compared to the same period in 1991. Cost of sales and occupancy costs decreased as a percent of sales by .9% and 2.1% respectively. This was offset in part by an increase of 1.2% in other operating costs.

General and administrative expenses for the three periods ended March 21, 1992 decreased $165,109 or 31.6% when compared to the same period in 1991. This decrease is a result of the reduced number of company restaurants, continued emphasis on downsizing staff and control of expenses.

Net Loss. The net loss decreased by approximately $129,000 in the first quarter of 1992 when compared to the same period in 1991. Revenues decreased by $1,507,000; primarily due to the reduction of company owned restaurants from 29 open and operating at the end of the first quarter of 1991 to 16 open and operating at the end of the first quarter in 1992 and lower franchise revenues. This was more than offset by a decrease in costs and expenses of approximately $1,636,000.

Liquidity and Capital Resources

The Company's cash needs are met by internally generated cash from restaurant operations and franchising activity as well as by a variety of transactions involving Eli S. Jacobs, a Director of the Company and its largest beneficial shareholder, and his various affiliates, ("Jacobs Affiliates"), including loans provided or guaranteed.

The Company has incurred recurring operating losses and has a working capital deficiency of $17,949,542 and a stockholders' deficit of $14,914,553 at March 21, 1992. During 1992 and through February 5, 1992, working capital needs have been provided by Jacobs Affiliates through demand loans. On February 5, 1992, Mr. Rhoads acquired Jacob's and his Affiliates' common stock and preferred stock in the Company and most of the debt due to Jacobs' Affiliates, as described in a Form 8-K filed with the S.E.C. on March 12, 1992 and as amended by Form 8 on June 1, 1992, both of which are attached hereto as Exhibit 28.4 (attached as an exhibit hereto and incorporated by reference).

Some of the Company's 1992 working capital needs will be met by an agreement with Eli S. Jacobs, whereby Mr. Jacobs is to loan to the Company's Chairman $343,853; the Company's Chairman in turn is to advance this amount to the Company. Mr. Jacobs has also agreed to provide to the Company's Chairman additional loans of up to $500,960. The funds from such loans are required to be advanced by Mr. Rhoads to the Company for the payment of current rent under certain restaurant leases. Except for these limited commitments, no additional commitments exist for funding ongoing working capital needs. The Company is attempting to enter into a loan agreement with a bank, but discussions are only in the preliminary stage and it cannot be determined at this time whether the Company will be successful in obtaining any bank loans.

Signatures

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Le Peep Restaurants, Inc.
Registrant

Dated: June 30, 1992

Mitchel E. Rhoads
Chairman of the Board,
President and Chief Executive
Officer

Dated: June 30, 1992

Robert W. Moses
Vice President, Finance
Chief Financial Officer

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MK

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934,

For the quarterly period ended March 31, 1992

MQL-2268

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO ____________

Commission File Number: 0-19795

PCI SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0336586** (I.R.S. Employer Identification No.)
1403 Foulk Road, Suite 102 **Wilmington, Delaware** (Address of principal executive offices)	**19803** (Zip Code)

Registrant's telephone number, including area code: (302) 479-0281

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

As of May 14, 1992, there were 6,181,250 shares of Common Stock, par value $.001 per share, outstanding.

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PCI SERVICES, INC.
Quarter Ended March 31, 1992

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,			Six Months Ended March 31,		
	1992	1991	1991 (Pro forma - See Note)	1992	1991	1991 (Pro forma - See Note)
Net revenue	$17,800,000	$18,222,000	$17,746,000	$33,037,000	$32,528,000	$31,487,000
Cost of goods sold	13,682,000	14,509,000	13,824,000	25,921,000	26,470,000	24,935,000
Gross profit	4,118,000	3,713,000	3,922,000	7,116,000	6,058,000	6,552,000
Selling, general and administrative expenses	1,736,000	1,909,000	1,722,000	3,325,000	3,836,000	3,282,000
Interest expense	119,000	338,000	239,000	363,000	695,000	482,000
Interest income	(43,000)	(19,000)	(19,000)	(58,000)	(64,000)	(39,000)
Management fees - MEDIQ	-	696,000	-	-	1,374,000	-
Income before income tax expense	2,306,000	789,000	1,980,000	3,486,000	217,000	2,827,000
Income tax expense	898,000	379,000	854,000	1,393,000	287,000	1,265,000
Net income (loss)	$ 1,408,000	$ 410,000	$ 1,126,000	$ 2,093,000	$ (70,000)	$ 1,562,000
Earnings (loss) per share	$ .28	$ .14	$ .39	$ .53	$ (.02)	$ .54
Weighted average shares outstanding	5,079,000	2,875,000	2,875,000	3,977,000	2,875,000	2,875,000

Note: The pro forma condensed consolidated statements of operations for the three and six month periods ended March 31, 1991 reflect the elimination of management fees charged by the Company's parent, MEDIQ, and the elimination of the operations of the Company's subsidiary, PCI/Virginia, which was transferred by dividend to MEDIQ effective October 1, 1991.

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	September 30, 1991	September 30, 1991 (Pro forma - See Note)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,678,000	$ 1,696,000	$ 782,000
Accounts receivable, net	8,189,000	7,209,000	6,607,000
Inventories	3,519,000	4,477,000	3,991,000
Prepaid expenses	464,000	1,290,000	1,198,000
Total current assets	18,850,000	14,672,000	12,578,000
Property, plant and equipment, net	15,547,000	19,212,000	14,899,000
Goodwill, net	5,525,000	5,546,000	5,546,000
Other assets	682,000	1,264,000	1,025,000
	$40,604,000	$40,694,000	$34,048,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,338,000	$ 2,020,000	$ 1,810,000
Accrued payroll and related taxes	641,000	430,000	408,000
Other accrued expenses	1,650,000	1,424,000	1,365,000
Federal and state taxes payable	832,000	244,000	202,000
Long-term debt - current	421,000	2,330,000	1,719,000
Total current liabilities	4,882,000	6,448,000	5,504,000
Long-term debt, less current maturities	3,658,000	9,104,000	6,157,000
Due to MEDIQ	-	9,199,000	8,630,000
Notes payable to MEDIQ	-	12,300,000	12,300,000
Deferred income taxes	1,791,000	1,726,000	1,736,000
Stockholders' equity	30,273,000	1,917,000	(79,000)
	$40,604,000	$40,694,000	$34,048,000

Note: The pro forma condensed consolidated balance sheet as of September 30, 1991 reflects the elimination of the Company's subsidiary, PCI/Virginia, which was transferred by dividend to MEDIQ effective October 1, 1991.

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional		
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	Total
Balance at October 1, 1991	2,875,000	$3,000	$ 1,914,000	$ -	$ 1,917,000
Issuance of common stock	3,306,000	3,000	30,146,000	-	30,149,000
Dividend of PCI/Virginia	-	-	(1,996,000)	-	(1,996,000)
Special dividend to MEDIQ	-	-	(1,890,000)	-	(1,890,000)
Net income	-	-	-	2,093,000	2,093,000
Balance at March 31, 1992	6,181,000	$6,000	$28,174,000	$2,093,000	$30,273,000

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ 2,093,000	$ (70,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	1,222,000	1,219,000
Decrease (increase) in current assets:		
Accounts receivable	(1,582,000)	(1,405,000)
Inventories	751,000	(145,000)
Prepaid expenses	733,000	424,000
Increase (decrease) in current liabilities:		
Accounts payable	(472,000)	(799,000)
Accrued payroll and related taxes	433,000	143,000
Other accrued expenses	127,000	392,000
Federal and state taxes payable	588,000	(244,000)
Net cash provided by (used in) operating activities	3,893,000	(485,000)
Cash flows from investing activities:		
Purchase assets of Delvco	(958,000)	-
Deposits on equipment purchases	(554,000)	(160,000)
Purchases of equipment	(41,000)	(390,000)
Other	(42,000)	108,000
Net cash used in investing activities	(1,595,000)	(442,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	30,149,000	-
Borrowings	927,000	628,000
Payment of notes payable to MEDIQ	(14,190,000)	-
Net activity of due to MEDIQ	(8,430,000)	(678,000)
Debt repayments	(4,859,000)	(1,781,000)
Net cash provided by (used in) financing activities	3,597,000	(1,831,000)
Net increase (decrease) in cash and cash equivalents	5,895,000	(2,758,000)
Decrease in cash and cash equivalents related to PCI/Virginia dividend	(913,000)	-
Cash and cash equivalents:		
Beginning of period	1,696,000	3,442,000
End of period	$ 6,678,000	$ 684,000
Supplemental disclosure of cash flow information:		
Interest paid	$ 357,000	$ 580,000
Supplemental disclosure of non-cash investing and financing activities:		
Equipment financed with long-term debt	$ 135,000	$ 628,000

See notes to condensed consolidated financial statements.

PCI SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note A - Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of March 31, 1992, the condensed consolidated statements of operations for the three and six month periods ended March 31, 1992 and 1991, the condensed consolidated statement of stockholders' equity for the six months ended March 31, 1992 and the condensed consolidated statements of cash flows for the six month periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements for the fiscal year ended September 30, 1991 and notes thereto included in the Company's Registration Statement on Form S-1 dated January 28, 1992. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

The pro forma condensed consolidated statements of operations for the three and six months ended March 31, 1991 give effect to the following transactions as if they occurred on October 1, 1990: (i) elimination of PCI of Virginia, Inc. ("PCI/Virginia"), the Company's Virginia operation, which was transferred by dividend to the Company's parent company, MEDIQ Incorporated ("MEDIQ"), effective October 1, 1991 (See Note C), and (ii) the elimination of management fees charged by MEDIQ as a result of a restructuring of the Company's relationship with MEDIQ in connection with the Company's initial public offering, the inclusion of the Company's estimate of the cost of services to be provided to the Company by MEDIQ pursuant to the terms of a services agreement, which the Company approximates to be $100,000 per annum, and the related increase in income tax expense. The pro forma condensed consolidated balance sheet as of September 30, 1991 gives effect to the Company's dividend of PCI/Virginia to MEDIQ.

Note B - Initial Public Offering

In January 1992, the Company commenced its initial public offering of 2,875,000 shares of Common Stock at $10 per share and in February 1992 sold an additional 431,250 shares pursuant to a 15% over-allotment option on its initial public offering. Net proceeds from the initial public offering (the "Offering") were approximately $30,000,000.

MEDIQ owns 2,875,000 shares of the Company's Common Stock, or 46.5% of the outstanding shares.

Note C - Dividend of Subsidiary

Effective October 1, 1991, the Company transferred by dividend all of the capital stock of PCI/Virginia, an indirect wholly-owned subsidiary of the Company, to MEDIQ. In connection with the transfer, the Company entered into an agreement to provide senior management services to PCI/Virginia for management fees equal to five percent of the annual net revenue of PCI/Virginia. The Company recognized management fee income of $144,000 related to this agreement for the six months ended March 31, 1992. MEDIQ granted the Company a purchase option, exercisable at any time, and a right of first refusal with respect to PCI/Virginia. The purchase price pursuant to the purchase option is the fair market value of PCI/Virginia as of the date of exercise.

In connection with the dividend of PCI/Virginia, the special purpose entity, P.C. Realty, Inc., is no longer consolidated with the accounts of the Company. The dividend of PCI/Virginia and the elimination of the accounts of P.C. Realty, resulted in a reduction in the Company's stockholders' equity of $1,996,000 in the six months ended March 31, 1992.

Note D - Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Raw materials	$1,131,000	$2,463,000	$2,061,000
Work in process	1,719,000	1,078,000	1,078,000
Finished goods	669,000	936,000	852,000
	$3,519,000	$4,477,000	$3,991,000

Note E - Property, Plant and Equipment

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Land	$ 351,000	$ 515,000	$ 351,000
Building and improvements	5,849,000	8,011,000	5,829,000
Equipment and fixtures	21,102,000	21,713,000	19,396,000
	27,302,000	30,239,000	25,576,000
Less: accumulated depreciation and amortization	11,755,000	11,027,000	10,677,000
	$15,547,000	$19,212,000	$14,899,000

Depreciation and amortization expense related to property, plant and equipment for the periods ended March 31, 1992 and 1991 was $1,084,000 and $1,173,000, respectively.

Note F - Long-Term Debt

	Mar. 31, 1992	Sept. 30, 1991	Sept. 30, 1991 (Pro forma)
Capital lease obligations	$ -	$ 5,131,000	$3,223,000
Mortgage	2,870,000	4,624,000	2,974,000
Term loans	1,209,000	1,679,000	1,679,000
	4,079,000	11,434,000	7,876,000
Less: current maturities	421,000	2,330,000	1,719,000
	$3,658,000	$ 9,104,000	$6,157,000

The Company used approximately $4,360,000 of the proceeds from the initial public offering (See Note B) to retire its outstanding capital lease obligations and certain outstanding mortgages and term loans.

Note G - Special Dividends

On September 20, 1991, September 30, 1991 and December 12, 1991, the Company declared special dividends on its Common Stock in the form of four notes. The first, second and third notes had principal amounts of $9,000,000, $2,300,000 and $1,000,000, respectively. The December 12, 1991 dividend was accounted for as if it had been declared on September 30, 1991. The fourth note, which was contingent upon the exercise of the underwriters' 15% overallotment option, had a principal amount of $1,890,000.

In February 1992, all notes payable in connection with the special dividends were paid with proceeds from the Offering.

Note H - Acquisition of Delvco Industries, Inc.

On February 21, 1992 the Company, through its newly created subsidiary, PCI/Delvco, Inc., acquired certain assets of Delvco Industries, Inc. of Ivyland, Pennsylvania for a cash purchase price of approximately $1,200,000 ($240,000 paid on deposit in the prior fiscal year) subject to certain working capital adjustments not yet determined. Delvco is a producer of vacuum formed plastics, including medical trays used for ampules and syringes.

PCI SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1991
(Unaudited)

Note I - Subsequent Event

On April 20, 1992, the Company, through its wholly-owned subsidiary, Packaging Coordinators, Inc., ("PCI") acquired all of the capital stock of The Tri-Line Co., Inc., ("Tri-Line") of Manati, Puerto Rico from Mr. Ronald Salzano. Tri-Line is the principal printer and supplier of inserts and outserts for pharmaceutical packaging in Puerto Rico, operating two plants of 30,000 square feet each and employing 70 people.

The purchase price consisted of base consideration of $4,025,000 in cash, a capital contribution to Tri-Line of $525,000, and contingent consideration of up to $1,600,000. Proceeds from the capital contribution were used by Tri-Line to retire certain indebtedness to a former shareholder of Tri-Line. One-third of the contingent consideration will be payable in cash for each of the three consecutive years following closing in which the net earnings of Tri-Line equal or exceed certain targeted earnings.

Simultaneous with the purchase of the outstanding stock by PCI, Tri-Line issued newly created shares of non-participating, cumulative preferred stock to Mr. Salzano. The preferred stock provides for dividends in the amount of $100,000 per annum, payable in quarterly installments of $25,000 each. The preferred stock is subject to put and call options at a price of $900,000 each during the first three year period following closing, and thereafter, $900,000 plus 10% of Tri-Line's net earnings subsequent to the conclusion of the third year.

Mr. Salzano will continue to serve as President of Tri-Line pursuant to a five-year employment agreement. In addition, Mr. Salzano was appointed to a five year term as President of PCI's subsidiary, Packaging Coordinators Incorporated, Caribe, located in Gurabo, Puerto Rico.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion addresses the financial condition of the Company as of March 31, 1992 compared with September 30, 1991 and its results of operations for the three and six month periods then ended, compared with pro forma and historical results of operations for the same periods last year. Pro forma results of operations for the three and six month periods ended March 31, 1991 give effect to the following transactions as if they occurred at the beginning of the periods: (i) the transfer by dividend on October 1, 1991 of all of the capital stock of PCI/Virginia to MEDIQ and (ii) the elimination of management fees charged by MEDIQ as a result of a restructuring of the Company's relationship with MEDIQ in connection with the Company's initial public offering (the "Offering"). This discussion should be read in conjunction with Management's Discussion and Analysis (pages 12-15) for the fiscal year ended September 30, 1991 included in the Company's Registration Statement on Form S-1, dated January 28, 1992.

Results of Operations - Second Quarter Fiscal 1992 vs. 1991

Net revenue for the second quarter of fiscal 1992 was $17,800,000, compared to the second quarter of fiscal 1991 revenue of $17,746,000 on a pro forma basis. Revenue in 1992 decreased $422,000, or 2%, from the historical 1991 second quarter revenue of $18,222,000, which included revenue of $476,000 from PCI/Virginia.

Cost of goods sold for the second quarter of fiscal 1992 was 77% of net revenue, compared to 78% for second quarter of fiscal 1991 on a pro forma basis and 80% on a historical basis.

Selling, general and administrative expenses for the second quarter of fiscal 1992 were consistent with the same period in fiscal 1991 on a pro forma basis. As a percentage of net revenue, selling, general and administrative expenses in 1992 decreased slightly compared to 1991. Historical second quarter of fiscal 1991 expenses of $1,909,000 included $212,000 related to PCI/Virginia.

Interest expense of $119,000 for the second quarter of fiscal 1992 was $120,000, or 50%, less than the prior year on a pro forma basis. The decrease in interest expense is a result of a reduction of $4,360,000 in long-term debt in the second quarter of fiscal 1992 with proceeds from the Company's Offering. Interest expense associated with PCI/Virginia was $99,000 in the second quarter of fiscal 1991.

Interest income in the second quarter of fiscal 1992 was $43,000, compared to $19,000 in the prior year period. The increase in interest income relates to the investment of a portion of the proceeds from the offering in short-term investment grade securities.

The Company's effective income tax rate decreased to 39% in 1992 from 43% in the second quarter of fiscal 1991 on a pro forma basis. This decrease is a result of lower permanent differences associated with the Company's operations in Puerto Rico. The effective tax rate on historical 1991 earnings of 48% was higher than the statutory rate as a result of pre-tax losses associated with PCI/Virginia, for which state tax benefits were not recorded.

Results of Operations - Six Months Ended March 31, 1992 vs. 1991

Net revenue for the six months ended March 31, 1992 was $33,037,000, compared to $31,487,000 on a pro forma basis for the comparable 1991 period. The increase in revenue of $1,550,000, or 5%, was primarily a result of increased volume with the Company's existing customers in the first quarter of fiscal year 1992. Revenue in 1992 increased $509,000, or 2%, from the historical 1991 second quarter revenues of $32,528,000 which included revenues of $1,041,000 from PCI/Virginia.

Cost of goods sold for the six months ended March 31, 1992 was 79% of net revenue as compared to 79% for the prior year period on a pro forma basis and 81% on a historical basis.

Selling, general and administrative expenses increased slightly in the first six months of fiscal 1992 as compared to the same period in fiscal 1991 on a pro forma basis, and as a percentage of net revenue, remained consistent with 1991 on a pro forma basis. Historical 1991 expenses of $3,836,000 included $604,000 related to PCI/Virginia.

Interest expense of $363,000 for the six months ended March 31, 1992 was $119,000, or 25% less than the prior year on a pro forma basis. The decrease in interest expense is a result of a reduction in long-term debt in the second quarter of fiscal 1992 with proceeds from the Company's offering. Interest expense associated with PCI/Virginia was $213,000 in 1991.

Interest income in 1992 was $58,000 as compared to $39,000 in the prior year period on a pro forma basis. The increase in interest income relates to the investment of a portion of the proceeds from the offering in short-term investment grade securities.

The Company's effective income tax rate decreased to 40% in 1992 from 45% in 1991 on a pro forma basis. This decrease is a result of lower permanent differences associated with the Company's operations in Puerto Rico. The effective tax rate on historical 1991 earnings was disproportionate relative to pre-tax income as a result of losses associated with PCI/Virginia for which state tax benefits were not recorded.

Management Fees - MEDIQ

During fiscal year 1991, MEDIQ provided the Company with senior management services, financial management, legal and accounting services and other professional services. MEDIQ is a non-operating company which derives all of its revenue from management fees charged to its operating subsidiaries. The allocation of management fees to its operating subsidiaries was based on an estimate of the level of services provided to each subsidiary and the size of each subsidiary.

In connection with the Offering, the Company's relationship with MEDIQ was restructured. As a result, management fees charged by MEDIQ representing the cost of services provided to the Company by MEDIQ and an allocation of MEDIQ's corporate overhead, were discontinued as of October 1, 1991. Effective October 1, 1991, the Company entered into a services agreement with MEDIQ pursuant to which it will obtain legal, financial and risk management services, in the ordinary course of the Company's business, at rates approximating MEDIQ's cost of providing such services. The Company estimates the expense to be $100,000 annually. Management fees charged by MEDIQ were $696,000 and $1,374,000 for the three and six month periods ended March 31, 1991, respectively. Pro forma operating results include an estimated expense of $25,000 and $50,000 for the three and six month periods, respectively, for services rendered by MEDIQ. Such estimated expense, which is included in selling, general and administrative expenses, is based on the terms of the Company's new services agreement.

Liquidity and Capital Resources

At March 31, 1992, the Company had working capital of $13,968,000, including cash and cash equivalents of $6,678,000. For the six months ended March 31, 1992, net cash provided by operations increased to $3,893,000 from net cash used in operations of $485,000 in the prior year period.

In February 1992 the Company completed its initial public offering, in which the Company sold 3,306,250 shares of Common Stock at $10 per share. The net proceeds from the Offering were approximately $30,000,000. The Company utilized $19,540,000 of the proceeds to repay the amounts outstanding to MEDIQ, and $1,890,000 for an additional note payable to MEDIQ out of the proceeds from the over-allotment option exercised by the underwriters of the offering. The Company used $4,360,000 of the proceeds to purchase equipment under capital lease arrangements and to retire certain term loan obligations. In February, the Company acquired certain assets of Delvco Industries, Inc., of Ivyland, PA with approximately $900,000 of the proceeds from the Offering. In April 1992, the Company acquired The Tri-Line Co., Inc. ("Tri-Line") of Manati, Puerto Rico. The purchase price consisted of base consideration of $4,025,000 in cash, a capital contribution to Tri-Line of $525,000 and contingent consideration of up to $1,600,000. Approximately $3,000,000 of the proceeds from the Offering were used to fund this acquisition, and the balance of the base consideration and the capital contribution were funded by the Company's operating cash flow. The balance of the proceeds from the Offering was invested in short-term obligations.

The Company currently does not have a line of credit. However, management believes that the combination of the net proceeds from the Offering, existing working capital and anticipated funds to be generated from future operations will be sufficient to meet the Company's anticipated operating and capital needs. Depending upon future growth of the business, additional financing may be required.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K.

A report on Form 8-K dated March 27, 1992 was filed to report the signing of a definitive agreement to acquire The Tri-Line Co., Inc. under Item 5 of the form.

A report on Form 8-K dated April 20, 1992 was filed to report the consummation of the acquisition of The Tri-Line Co., Inc. under Item 2 of the form. Pursuant to Item 7(a) of the form, the Company filed the audited financial statements of The Tri-Line Co., Inc. for the three years ended December 31, 1991. Pursuant to Item 7(b) of the form, the Company filed the unaudited pro forma condensed consolidated balance sheet at December 31, 1991 and the unaudited condensed consolidated statements of operations for the three month period ended December 31, 1991 and the year ended September 30, 1991. Pursuant to Item 7(c) of the form, the Company filed as an exhibit to the form the agreement of sale.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PCI SERVICES, INC.
(Registrant)

May 14, 1992
(Date)

Michael F. Sandler
Vice President and
Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission file number 2-84047

PEOPLES BANCSHARES OF POINTE COUPEE PARISH, INC.

POINTE COUPEE PARISH, LA. 72-0995027

HIGHWAY 3131, NEW ROADS, LOUISIANA 70760

(504) 638-3713

Common Stock, $2.50 Par Value 1,000,000 shares authorized 308,677 issued and outstanding as of December 31, 1991

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INDEX

PEOPLES BANCSHARES OF POINTE COUPEE PARISH, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Unaudited consolidated call report balance sheet as of March 31, 1992.

Unaudited consolidated call report statement of income as of March 31, 1992.

Unaudited consolidated statement of change in stockholders' equity for the three months ended March 31, 1992.

Notes to unaudited consolidated financial statements as of March 31, 1992 and 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation's

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes In Securities

Item 3. Defaults upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders.

SIGNATURES

Legal Title of Bank: PEOPLES BANK AND TRUST COMPANY OF POINTE COUPEE
Address: P O DRAWER 747
City, State Zip: NEW ROADS, LA 70760
FDIC Certificate No.: |2|3|0|9|0|

Call Date: 3/31/92 ST-BK: 22-1047 FFIEC 03
Page RI-

Consolidated Report of Income
for the period January 1, 1992-March 31, 1992

All Report of Income schedules are to be reported on a calendar year-to-date basis in thousands of dollars.

Schedule RI--Income Statement

		I180	<-
Dollar Amounts in Thousands	RIAD	Mil Thou	
1. Interest income:	//////////////		
a. Interest and fee income on loans(1),(2):	//////////////		
(1) Total loans (to be completed only by those banks with less than $25 million in total assets)	4010	N/A	1.a.(1)
The following four items are to be completed only by those banks with $25 million or more in total assets(1),(2)	//////////////		
(2) Real estate loans	4246	139	1.a.(2)
(3) Installment loans	4247	2	1.a.(3)
(4) Credit cards and related plans	4248	0	1.a.(4)
(5) Commercial (time and demand) and all other loans	4249	411	1.a.(5)
b. Income from lease financing receivables	4065	0	1.b.
c. Interest income on balances due from depository institutions(3)	4115	15	1.c.
d. Interest and dividend income on securities:	//////////////		
(1) Securities issued by states and political subdivisions in the U.S.:	//////////////		
(a) Taxable securities	4506	7	1.d.(1)(a)
(b) Tax-exempt securities	4507	0	1.d.(1)(b)
(2) U.S. Government securities and other debt securities	3660	126	1.d.(2)
(3) Equity securities (including investments in mutual funds)	3659	0	1.d.(3)
e. Interest income from assets held in trading accounts	4069	0	1.e.
f. Interest income on federal funds sold(4) and securities purchased under agreements to resell	4020	17	1.f.
g. Total interest income (sum of items 1.a through 1.f)	4107	717	1.g.

---

(1) See instructions for loan classifications used in this schedule.

(2) The $25 million asset size test is generally based on the total assets reported on the June 30, 1991 Report of Condition.

(3) Includes interest income on time certificates of deposit not held in trading accounts.

(4) Report interest income on "term federal funds sold" in Schedule RI, item 1.a, "Interest and fee income on loans."

Schedule RI--Continued

Dollar Amounts in Thousands	Year-to-date RIAD	Mil Thou				
2. Interest expense:	//////////////					
a. Interest on deposits:	//////////////					
(1) Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	4508	25	2.a.(1)			
(2) Nontransaction accounts:	//////////////					
(a) Money market deposit accounts (MMDAs)	4509	16	2.a.(2)(a)			
(b) Other savings deposits	4511	41	2.a.(2)(b)			
(c) Time certificates of deposit of $100,000 or more	4174	44	2.a.(2)(c)			
(d) All other time deposits(1)	4512	172	2.a.(2)(d)			
b. Expense of federal funds purchased(2) and securities sold under agreements to repurchase	4180	0	2.b.			
c. Interest on demand notes issued to the U.S. Treasury on other borrowed money	4185	0	2.c.			
d. Interest on mortgage indebtedness and obligations under capitalized leases	4072	0	2.d.			
e. Interest on subordinated notes and debentures	4200	0	2.e.			
f. Total interest expense (sum of items 2.a through 2.e)	4073	298	2.f.			
3. Net interest income (item 1.g minus 2.f)	//////////////			RIAD 4074	419	3.
4. Provisions:	//////////////					
a. Provision for loan and lease losses	//////////////			RIAD 4230	13	4.a.
b. Provision for allocated transfer risk	//////////////			RIAD 4243	0	4.b.
5. Noninterest income:	//////////////					
a. Service charges on deposit accounts	4080	76	5.a.			
b. Other noninterest income:	//////////////					
(1) Other fee income	5407	16	5.b.(1)			
(2) All other noninterest income*	5408	18	5.b.(2)			
c. Total noninterest income (sum of items 5.a and 5.b	//////////////			RIAD 4079	110	5.c.
6. Gains (losses) on securities not held in trading accounts	//////////////			RIAD 4091	0	6.
7. Noninterest expense:	//////////////					
a. Salaries and employee benefits	4135	118	7.a.			
b. Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	4217	44	7.b.			
c. Other noninterest expense*	4092	115	7.c.			
d. Total noninterest expense (sum of items 7.a through 7.c)	//////////////			RIAD 4093	277	7.d.
8. Income (loss) before income taxes and extraordinary items and other adjustments (item 3 plus or minus items 4.a, 4.b, 5.c, 6, and 7.d)	//////////////			RIAD 4301	239	8.
9. Applicable income taxes (on item 8)	//////////////			RIAD 4302	40	9.
10. Income (loss) before extraordinary items and other adjustments (item 8 minus 9)	//////////////			RIAD [illegible]00	199	10.
11. Extraordinary items and other adjustments:	//////////////					
a. Extraordinary items and other adjustments, gross of income taxes*	4310	0	11.a.			
b. Applicable income taxes (on item 11.a)*	4315	0	11.b.			
c. Extraordinary items and other adjustments, net of income taxes (item 11.a minus 11.b)	//////////////			RIAD 4320	0	11.c.
12. Net income (loss) (sum of items 10 and 11.c)	//////////////			RIAD 4340	199	12.

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(1) Includes interest expense on open-account time deposits of $100,000 or more.

(2) Report the expense of "term federal funds purchased" in Schedule RI, item 2.c, "Interest on demand notes issued to the U.S. Treasury and on other borrowed money."

*Describe on Schedule RI-E--Explanations.

Legal Title of Bank: PEOPLES BANK AND TRUST COMPANY OF POINTE COUPEE Call Date: 3/31/92 ST-BK: 22-1047 FFIEC 0
Address: . . P O DRAWER 747 Page RC-
City, State Zip: NEW ROADS, LA 70760
FDIC Certificate No.: |2|3|0|9|0|

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for March 31, 1992

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC--Balance Sheet

Dollar Amounts in Thousands			RCON	C100 Mil Thou	(-
ASSETS			//////////////		
1. Cash and balances due from depository institutions:			//////////////		
a. Noninterest-bearing balances and currency and coin(1),(2)			0081	688	1.a.
b. Interest-bearing balances(3)			0071	1,179	1.b.
2. Securities (from Schedule RC-B)			0390	5,333	2.
3. Federal funds sold and securities purchased under agreements to resell:			//////////////		
a. Federal funds sold(4)			0276	2,125	3.a.
b. Securities purchased under agreements to resell(5)			0277	0	3.b.
4. Loans and lease financing receivables:			//////////////		
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCON 2122	19,619	//////////////		4.a.
b. LESS: Allowance for loan and lease losses	RCON 3123	563	//////////////		4.b.
c. LESS: Allocated transfer risk reserve	RCON 3128	0	//////////////		4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)			2125	19,056	4.d.
5. Assets held in trading accounts			2146	0	5.
6. Premises and fixed assets (including capitalized leases)			2145	669	6.
7. Other real estate owned (from Schedule RC-M)			2150	688	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	0	8.
9. Customers' liability to this bank on acceptances outstanding			2155	0	9.
10. Intangible assets (from Schedule RC-M)			2143	0	10.
11. Other assets (from Schedule RC-F)			2160	453	11.
12. a. Total assets (sum of items 1 through 11)			2170	30,191	12.a.
b. Losses deferred pursuant to 12 U.S.C. 1823(j) (from Schedule RC-M)			0306	N/A	12.b.
c. Total assets and losses deferred pursuant to 12 U.S.C. 1823(j) (sum of items 12.a and 12.b)			0307	30,191	12.c.

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(1) Includes cash items in process of collection and unposted debits. Report deposit accounts "due from" depository institutions that are overdrawn in Schedule RC, item 16, "Other borrowed money."

(2) The amount reported in this item must be greater than or equal to the sum of Schedule RC-M, items 2 and 3.

(3) Includes time certificates of deposit not held in trading accounts.

(4) Report "term federal funds sold" in Schedule RC, item 4.a, "Loans and leases, net of unearned income," and in Schedule RC-C.

(5) Report securities purchased under agreements to resell that involve the receipt of immediately available funds and mature in one business day or roll over under a continuing contract in Schedule RC, item 3.a, "Federal funds sold."

Legal Title of Bank: PEOPLES BANK AND TRUST COMPANY OF POINTE COUPEE
Address: P O DRAWER 747
City, State Zip: NEW ROADS, LA 70760
FDIC Certificate No.: 2|3|0|9|0

Schedule RC--Continued

Dollar Amounts in Thousands			RCON	Mil Thou	
LIABILITIES			//////////////		
13. Deposits:			//////////////		
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)			2200	27,724	13.a.
(1) Noninterest bearing(1)	RCON 6631	2,885	//////////////		13.a.(1)
(2) Interest-bearing	RCON 6636	24,839	//////////////		13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs			//////////////		
(1) Noninterest-bearing			//////////////		
(2) Interest-bearing			//////////////		
14. Federal funds purchased and securities sold under agreements to repurchase:			//////////////		
a. Federal funds purchased(2)			0278	0	14.a.
b. Securities sold under agreements to repurchase(3)			0279	0	14.b.
15. Demand notes issued to the U.S. Treasury			2840	0	15.
16. Other borrowed money			2850	0	16.
17. Mortgage indebtedness and obligations under capitalized leases			2910	0	17.
18. Bank's liability on acceptances executed and outstanding			2920	0	18.
19. Subordinated notes and debentures			3200	0	19.
20. Other liabilities (from Schedule RC-G)			2930	169	20.
21. Total liabilities (sum of items 13 through 20)			2948	27,893	21.
			//////////////		
22. Limited-life preferred stock and related surplus			3282	0	22.
EQUITY CAPITAL			//////////////		
23. Perpetual preferred stock and related surplus			3838	0	23.
24. Common stock			3230	774	24.
25. Surplus (exclude all surplus related to preferred stock)			3839	651	25.
26. a. Undivided profits and capital reserves			3632	873	26.a.
b. LESS: Net unrealized loss on marketable equity securities			0297	0	26.b.
27. Cumulative foreign currency translation adjustments			//////////////		
28. a. Total equity capital (sum of items 23 through 27)			3210	2,298	28.a.
b. Losses deferred pursuant to 12 U.S.C. 1823(j) (from Schedule RC-M)			0306	N/A	28.b.
c. Total equity capital and losses deferred pursuant to 12 U.S.C. 1823(j) (sum of items 28.a and 28.b)			3559	2,298	28.c.
29. Total liabilities, limited-life preferred stock, equity capital, and losses deferred pursuant to 12 U.S.C. 1823(j) (sum of items 21, 22, and 28.c)			2257	30,191	29.

Memorandum

To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1991 .... Number: RCON 6724 | 2 | M.1.

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank
2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)
3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)
4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
5 = Review of the bank's financial statements by external auditors
6 = Compilation of the bank's financial statements by external auditors
7 = Other audit procedures (excluding tax preparation work)
8 = No external audit work

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(1) Includes total demand deposits and noninterest-bearing time and savings deposits.

(2) Report "term federal funds purchased" in Schedule RC, item 16, "Other borrowed money."

(3) Report securities sold under agreements to repurchase that involve the receipt of immediately available funds and mature in one business day or roll over under a continuing contract in Schedule RC, item 14.a, "Federal funds purchased."

PEOPLES BANCSHARES OF POINTE COUPEE PARISH, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
COMMON STOCK:		
Balance - Beginning and End of Period	$774	$774
SURPLUS:		
Balance - beginning of period	$651	$651
Transfer from retained earnings	0	0
Balance - End of Period	$651	$651
RETAINED EARNINGS:		
Balance - beginning of period	$674	$55
Net income	$199	$147
Transfer to surplus	0	0
Dividends declared	0	0
Balance - End of Period	$873	$202

The above figures are actual rounded to the nearest thousand. The accompanying notes are an integral part of the financial statements.

PEOPLES BANCSHARES OF POINTE COUPEE PARISH, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 1992 AND 1991

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Peoples Bancshares of Pointe Coupee Parish, Inc. and its wholly owned subsidiary, Peoples Bank and Trust of Pointe Coupee Parish, Louisiana, are those which are generally practiced within the banking industry. The methods of applying those principles conform with generally accepted accounting principles and have been applied on a consistent basis. The principles which significantly affect the determination of financial position, results of operations, changes in stockholders' equity and changes in financial position are summarized below.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements included accounts of Peoples Bancshares of Pointe Coupee Parish, Inc. (the Company), and its wholly owned subsidiary, Peoples Bank and Trust Company of Pointe Coupee Parish, Louisiana (the Bank). All material intercompany accounts and transactions have been eliminated. Certain reclassification to previously published financial statements have been made to comply with current reporting requirements.

On December 9, 1983, the Bank was merged into Pointe Coupee Parish Bank and the surviving bank, Peoples Bank and Trust of Pointe Coupee Parish, Louisiana, became a wholly owned subsidiary of Peoples Bancshares of Pointe Coupee Parish, Inc. through a one-for-one exchange for all of the outstanding common stock of Peoples Bank and Trust of Pointe Coupee, Louisiana. The reorganization was accounted for as a pooling -of-interest. There were no material transactions prior to December 9, 1983, for Peoples Bancsahres of Pointe Coupee Parish, Inc., and therefore the operations of the Company are those of the Bank for all previous periods presented.

REPORTING OF INCOME FOR TAX PURPOSES: With the formation of the holding company, Peoples Bancshares of Pointe Coupee Parish, Inc., the consolidated federal income tax return will be filed for all companies by utilizing the tax method allowed.

INVESTMENT SECURITIES: Investment securities are stated at cost adjusted for accretion of discounts and amortization of premiums. Accretion and amortization are recognized as adjustments to interest income over the holding period of the related investment securities. Security gains and losses are recognized at the time of sale and are determined on an identified security basis.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LOANS: Loans are stated at the principal amounts outstanding, less unearned income and reserve for loan losses. Interest on commercial loans is accrued daily based on the principal outstanding. Interest on installment loans is recognized and included in interest income using the sum-of-the-months digits method which approximates the interest method. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Subsequent interest on such loans is recognized as income only when collected. Non-refundable service charges for the origination of loans are recorded as income in the period the related loans are made.

RESERVE FOR LOAN LOSSES: The provision for loan losses charged to operating expenses represents an amount based on past loan loss experience. Additional amounts are added based on management's evaluation of the loan portfolio under current economic conditions. The reserve for loan losses reflects an amount which, in management's judgement, is adequate to absorb potential loan losses.

BANK PREMISES AND EQUIPMENT: Bank premisses and equipment are stated at cost less accumulated deprecation. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the related assets. Such lives range from five to forty years for buildings and improvements, and from three to ten years for furniture, fixtures and equipment. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. The cost of assets retired or otherwise disposed of the related accumulated depreciation are eliminated from the accounts in the year of disposal, and the resulting gain or loss is credited or charged to operations.

FEDERAL INCOME TAXES: Amounts provided for federal income taxes are based on earnings reported for financial statement purposes, adjusted for permanent differences between reported financial and taxable income. Deferred taxes are provided for timing differences related to certain income and expense items which are recognized for financial accounting purposes in one period and for tax purposes in another period.

The federal income taxes benefit resulting from the investment tax credit allowed on the purchase of certain assets is included as a reduction of federal income taxes in the year realized.

PEOPLES BANCSHARES OF POINTE COUPEE PARISH, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 1992 AND 1991

(Stated in whole dollars)

NOTE VI: COMMON STOCK

The Company has 1,000,000 shares of $2,50 par value common stock authorized with 308,677 shares issued and outstanding.

The computation of earnings per share and other per share amounts of common stock is based on the actual number of shares of common stock outstanding during each period.

NOTE VII: RETIREMENT PLAN

The Bank has a contributory, trusted, qualified profit sharing plan for all salaried full-time and part-time employees who meet certain age and longevity requirements. The Bank's contributions to the plan are discretionary and is currently matched $.50 to every dollar contributed by eligible employees. Contributions are allocated among eligible participants in proportion to their contributory and the Bank's contributions on their behalf.

NOTE VIII: COMMITMENTS

In the normal course of business, commitments under letters of credit outstanding were $1,575 at March 31, 1992 and $75,000 at March 31, 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YEAR TO DATE NET INCOME THROUGH APRIL OF 1992 WAS $270,366.66. ONE OF THE PRIMARY FACTORS CONTRIBUTING TO THE TURNAROUND HAS BEEN THE EMPHASIS PLACED ON PREVIOUSLY CLASSIFIED LOANS, AS WELL AS PREVENTING OTHER ASSETS FROM BECOMING PROBLEM ASSETS, THEREBY DECREASING THE NEED FOR LOAN LOSS EXPENSES. ANOTHER CONTRIBUTING FACTOR HAS BEEN THE REDUCTION IN INTEREST RATES.

MANAGEMENT CONTINUES TO PLACE STRONG EMPHASIS ON CREDIT QUALITY AND LOAN LOSS PROVISIONS.

STEPHEN P. DAVID
PRESIDENT

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No legal proceedings have been instituted against the Company at this time.

ITEM 2. CHANGES IN SECURITIES

No changes in securities as of this date?

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No defaults upon securities as of this date.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters have been put to a vote of the security holders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Peoples Bancshares of Pointe Coupee Parish, Inc.

May 1, 1992 — President/CEO
Date — Name and Title

May 1, 1992 — Vice President/Cashier
Date — Name and Title

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

092-2268

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED MARCH 31, 1992 OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____ TO ____

Commission File No. 0-14147

QUESTAR PIPELINE COMPANY
(Exact name of registrant as specified in its charter)

STATE OF UTAH	87-0307414
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 11450, 79 South State Street, Salt Lake City, Utah	84147
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 530-2400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 1992
Common Stock, $1.00 par value	6,550,843 shares

L30

Registrant meets the conditions set forth in General Instruction H(a)(1) and (b) of Form 10-Q and is filing this Form 10-Q with the reduced disclosure format.

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QUESTAR PIPELINE COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended March 31,		12 Months Ended March 31,	
	1992	1991	1992	1991
	(In Thousands of Dollars)			
REVENUES	$71,844	$86,588	$215,556	$237,429
OPERATING EXPENSES				
Natural gas purchases	41,397	53,540	111,926	132,521
Operating and maintenance	11,899	12,685	45,913	48,059
Depreciation	3,450	3,238	13,399	12,523
Other taxes	1,053	908	3,775	3,445
TOTAL OPERATING EXPENSES	57,799	70,371	175,013	196,548
OPERATING INCOME	14,045	16,217	40,543	40,881
INTEREST AND OTHER INCOME	282	354	1,863	3,252
INCOME FROM UNCONSOLIDATED AFFILIATES	45	105	1,913	423
DEBT EXPENSE	(3,364)	(3,282)	(13,819)	(12,464)
INCOME BEFORE INCOME TAXES	11,008	13,394	30,500	32,092
INCOME TAXES	4,012	4,781	10,060	11,469
NET INCOME	$6,996	$8,613	$20,440	$20,623

QUESTAR PIPELINE COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 1992	March 31, 1991	December 31, 1991
	(In Thousands)		
ASSETS			
Current assets			
Cash and short-term investments	$2,566		$933
Notes receivable from parent company	28,300	$33,500	5[illegible]
Accounts receivable	25,420	28,594	42,133
Inventories	22,112	17,997	31,602
Other current assets	2,078	3,800	2,322
Total current assets	80,476	83,891	81,990
Property, plant and equipment	481,363	447,027	477,373
Less allowances for depreciation	165,329	150,310	161,749
Net property, plant and equipment	316,034	296,717	315,624
Investment in unconsolidated affiliates	5,556	4,001	5,209
Other assets	7,513	1,954	8,063
	$409,579	$386,563	$410,886
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Checks outstanding in excess of cash balances		$5,302	
Accounts payable and accrued expenses	$32,055	37,462	$37,120
Purchased gas adjustments	9,379	1,279	7,911
Current portion of long-term debt		5,500	
Total current liabilities	41,434	49,543	45,031
Long-term debt, less current portion	134,454	108,242	134,449
Deferred credits	789	562	300
Deferred income taxes	57,471	57,225	58,671
Common shareholder's equity			
Common stock	6,551	6,551	6,551
Additional paid-in capital	57,034	57,034	57,034
Retained earnings	111,846	107,406	108,850
Total common shareholder's equity	175,431	170,991	172,435
	$409,579	$386,563	$410,886

QUESTAR PIPELINE COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	3 Months Ended March 31,	
	1992	1991
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$6,996	$8,613
Depreciation	3,931	3,614
Deferred income taxes	(1,200)	(2,147)
Income from unconsolidated affiliates	(45)	(105)
	9,682	9,975
Change in operating assets and liabilities	23,894	34,316
NET CASH PROVIDED FROM OPERATING ACTIVITIES	33,576	44,291
INVESTING ACTIVITIES		
Capital expenditures		
Purchase of property, plant and equipment	(4,333)	(8,132)
Other investments	(302)	(944)
Distributions from unconsolidated affiliates		144
Proceeds (uses) from disposition of property, plant and equipment	(8)	673
CASH USED IN INVESTING ACTIVITIES	(4,643)	(8,259)
FINANCING ACTIVITIES		
Decrease in notes payable to parent company		(4,500)
Increase in notes receivable from parent company	(23,300)	(33,500)
Dividends paid	(4,000)	(4,000)
CASH USED IN FINANCING ACTIVITIES	(27,300)	(42,000)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS, AND CHECKS OUTSTANDING IN EXCESS OF CASH BALANCES	$1,633	($5,968)

QUESTAR PIPELINE COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

March 31, 1992

NOTE A – Basis of Presentation

The interim financial statements furnished reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Due to the seasonal nature of the business, the results of operations for the 3-month period ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

QUESTAR PIPELINE COMPANY
MANAGEMENT'S ANALYSIS

March 31, 1992

Results of Operations

Following is a summary of operating information for the company:

	3 Months Ended March 31,		12 Months Ended March 31,	
	1992	1991	1992	1991
Natural gas volumes (in thousands of decatherms)				
Sales for resale to Mountain Fuel	17,735	20,311	45,058	49,213
Transportation				
For Mountain Fuel	11,710	13,163	33,128	30,177
For other customers	41,815	37,016	169,788	152,258
Total transportation	53,525	50,179	202,916	182,435
Total system throughput	71,260	70,490	247,974	231,648
Gathering				
For Mountain Fuel	24,901	7,736	37,275	17,236
For other customers	2,471	2,674	13,438	13,984
Total gathering	27,372	10,410	50,713	31,220
Natural gas revenues (per decatherm)				
Sales for resale	$3.01	$3.48	$3.44	$3.74
Transportation	0.20	0.21	0.21	0.20
Gathering	0.21	0.23	0.21	0.19

Total throughput was higher in the 1992 periods as increases in transportation volumes offset decreases in sale-for-resale volumes. The transportation volumes were higher due to increased deliveries to Mountain Fuel's industrial customers and customers of gas-marketing firms, including Universal Resources.

Gas volumes sold to Mountain Fuel for resale declined in the 1992 periods because of warmer weather in Mountain Fuel's service area. The sale-for-resale revenue per decatherm decreased in the 1992 periods because the gathering charge on sales-for-resale volumes was unbundled from the sale-for-resale rate as a result of a general rate case and is being charged separately. The sale-for-resale rate was also lower because reductions in gas-purchase costs were passed through to Mountain Fuel.

Gas volumes gathered for Mountain Fuel increased in the 1992 periods because the gathering charge was unbundled from the sale-for-resale rate. Questar Pipeline began billing separately for gathering service provided on sale-for-resale volumes.

Questar Pipeline filed a general rate case with the FERC on April 30, 1991, and began collecting the new rates, subject to refund, on November 1, 1991. At March 31, 1992, Questar Pipeline had accrued $4,207,000 in potential refunds and interest to customers for this case. Hearings are scheduled to be held with the FERC in July 1992.

Natural gas purchases were lower in the periods ended March 31, 1992, compared with the same periods of 1991, because of reduced sale-for-resale volumes and a decrease in the per-decatherm purchase costs. Operating and maintenance expenses decreased 6% in the first quarter of 1992 compared with the first quarter of 1991 due to lower storage costs. Depreciation expense was higher in the 1992 periods as a result of increased investment in property, plant and equipment. Debt expense increased in the 1992 periods because of the issuance of debentures in June 1991.

The effective income tax rate was 36.4% in the three months ended March 31, 1992 compared with 35.7% in the same period of 1991.

The FERC issued Order No. 636 on the restructuring of the service obligations of interstate natural gas pipelines in April 1992. The Order requires that all pipelines cease the sale of natural gas on a "bundled" basis -- a single service that includes the sale of natural gas as a commodity, transportation, gathering and storage services. Instead, pipelines must now offer these services separately. The Order also requires pipelines to offer a new "no-notice" transportation service that provides the same reliability of service as the traditional sale-for-resale service. In addition, the Order encourages pipelines to transfer gas supply contracts to its sale-for-resale customers and permits pipelines to collect 100% of all prudently incurred transitional costs from its customers. Other requirements on pipelines as a result of the Order include the adoption of the straight-fixed variable rate design (unless all parties agree differently), flexible receipt and delivery points for all shippers and the implementation and management of a capacity-release program for assigning all unwanted firm capacity. Under the Order, the orginal capacity holder remains liable for the costs of the reassigned capacity, unless the pipeline agrees otherwise.

In conjunction with this rule, Questar Pipeline may transfer the merchant function and the associated gas-purchase contracts to Mountain Fuel. Questar Pipeline is required to file a tariff with the FERC by October 1, 1992, that reflects operations under the new rule. Implementation of the new rule is required in advance of the 1993-1994 heating season.

Liquidity and Capital Resources --

Net cash provided from operating activities was $33,576,000 for the first quarter of 1992 compared with $44,291,000 for the first quarter of 1991. The decrease was primarily due to working capital changes.

Capital expenditures were $4,635,000 in the first quarter of 1992 compared with $9,076,000 in the first quarter of 1991. Capital expenditures for the calendar year 1992 are estimated at $42 million. These capital expenditures will be financed with funds from operations, and borrowings from banks, or affiliated companies.

The company had short-term line-of-credit arrangements with banks totaling $10,200,000 at March 31, 1992. There were no borrowings under these lines at March 31, 1992.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Registrant Questar Pipeline Company (Questar Pipeline or the Company) filed its projection of purchased gas costs with the Federal Energy Regulatory Commission (the FERC) on March 31, 1992. The revised tariffs submitted as part of this filing reflect a commodity base cost of $3.18261 per decatherm (Dth), or an increase of $0.46364 per Dth above the $2.71897 commodity base cost reflected in its current rates. The new rates are for the quarter beginning June 1, 1992. The Company's proposed surcharge adjustment is ($0.18520) per Dth compared to the current ($0.04690) per Dth. This surcharge will be in effect for the full year commencing June 1, 1992. Under the FERC's current purchased gas adjustment (PGA) regulations, Questar Pipeline is required to make an annual PGA filing for the 12-month period beginning June 1 and update it quarterly.

The Company's purchased gas costs generally increase during the quarter beginning June 1 due to low sales levels and higher percentages of high-cost gas in the supply mix.

(b) On April 8, 1992, the FERC issued Order No. 636 in the rulemaking proceedings previously referred to as "mega-NOPR." This Order, among other provisions, requires all interstate pipelines to cease the sale of natural gas on a "bundled" basis and to offer previously bundled services separately. It also requires pipelines to offer a new "no-notice" transportation service that provides the same reliability of service on a firm transportation basis as the traditional sales-for-resale service. The Order also encourages pipelines to transfer gas supply contracts to sales customers and permits pipelines to collect 100 percent of all prudently-incurred transition costs from its customers.

The Company is required to file tariff provisions with the FERC by October 1, 1992, to reflect operations under the provisions and policy statements in Order No. 636. It plans to hold meetings with its customers during the summer to discuss the new rules and proposed tariff changes required to reflect such rules.

(c) On May 15, 1992, the Company will file testimony in its general rate case proceedings, which are scheduled to be heard before an administrative law judge with the FERC at public hearings that begin on July 7, 1992. Questar Pipeline originally filed its application for a general rate increase on April 30, 1991, and has been collecting the rates proposed in such application since November 1, 1991, subject to refund. In its testimony, the Company is supporting an annualized revenue increase of approximately $7 million and an overall return on equity of 15 percent. Extensive settlement discussions have not been successful in resolving the primary issues raised in the proceedings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUESTAR PIPELINE COMPANY
(Registrant)

May 14, 1992

AJ Marushack
A. J. Marushack
President and Chief
Executive Officer

May 14, 1992

WF Edwards
W. F. Edwards
Vice President and Chief
Financial Officer

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Q 35727

92 12 1169

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

P92-2268

FORM 10Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For Quarter Ended February 29, 1992

RECD S.E.C.
APR 20 1992
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Commission File Number 0-13864

RANDOM ACCESS, INC.
(Exact name of registrant as specified in its charter)

me
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Colorado
(State or other jurisdiction incorporation or organization)

84-0971697
(IRS Employer Identification No.)

8000 East Iliff Avenue, Denver, CO 80231
(Address of principal executive offices and zip code)

303-745-9600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of the Registrant's common stock outstanding as of April 17, 1992 was 6,943,062.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 29, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS:		
Cash	$ 520,605	$ --
Restricted cash	200,632	2,280,151
Receivables, less allowance for doubtful, accounts of $78,000 (February 1992), and $117,000 (August 1991):		
Trade accounts	9,920,936	9,676,616
Vendors	492,078	768,426
Inventories	12,821,070	1,735,145
Deferred income taxes and other	216,699	115,719
TOTAL CURRENT ASSETS	24,172,020	14,576,057
PROPERTY AND EQUIPMENT, net	735,175	682,979
OTHER ASSETS:		
Franchise rights, NET	460,000	100,000
Notes Receivable	150,000	--
Deposits and other	323,785	136,696
TOTAL OTHER ASSETS	933,785	236,696
	$25,840,980	$15,495,732

See notes to financial statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, CONTINUED

LIABILITIES AND SHAREHOLDERS' EQUITY

	February 29, 1992 (Unaudited)	August 31, 1991
CURRENT LIABILITIES:		
Revolving line of credit	$ 3,651,231	$ 4,825,622
Current maturities of long term debt	108,548	76,411
Trade accounts payable	14,909,643	5,308,678
Other current liabilities	889,002	1,020,755
TOTAL CURRENT LIABILITIES	19,558,424	11,231,466
LONG-TERM DEBT	293,927	259,892
SHAREHOLDERS' EQUITY:		
Common stock, $.0001 par value authorized 50,000,000 shares, issued and outstanding, 6,943,062 at February 29, 1992 and 5,767,145 at August 31, 1991	694	577
Additional paid-in capital	3,594,876	1,504,724
Common stock subscribed	--	415,620
Retained earnings	2,393,009	2,083,453
	5,988,579	4,004,374
	$25,840,980	$15,495,732

See notes to financial statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28, 1991
NET SALES	$27,246,273	$16,915,562	$50,844,464	$28,986,506
COST OF SALES	23,580,294	14,038,431	44,267,099	24,084,992
GROSS PROFIT	3,665,979	2,877,131	6,577,365	4,901,514
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,189,847	1,944,820	5,798,997	3,373,533
OPERATING INCOME	476,132	932,311	778,368	1,527,981
OTHER INCOME (EXPENSES):				
Interest expense	(231,803)	(187,723)	(374,578)	(311,049)
Other income	68,934	15,674	95,566	65,245
NET INCOME BEFORE TAXES	313,263	760,262	499,356	1,282,177
PROVISION FOR INCOME TAXES	(119,000)	(288,900)	(189,800)	(487,200)
NET INCOME	$ 194,263	$ 471,362	$ 309,556	$ 794,977
NET EARNINGS PER SHARE	$ .03	$ .08	$ .05	$ .14
WEIGHTED AVERAGE SHARES OUTSTANDING	6,925,396	5,675,255	6,746,429	5,526,912

See notes to financial statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	February 29, 1992	February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 309,556	$ 794,977
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	166,896	102,160
Changes in assets and liabilities:		
(Decrease) increase in accounts receivable	32,028	(2,676,803)
Increase (decrease) in merchandise inventories	(11,085,925)	(732,815)
Increase in other current assets	(100,980)	(97)
Decrease (increase) in other assets	(128,139)	8,586
Increase in accounts payable	9,645,305	25,760
Increase (decrease) in other current liabilities	(181,753)	98,799
TOTAL ADJUSTMENTS	(1,652,568)	(3,174,410)
Net cash used in operating activities	(1,343,012)	(2,379,433)
FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(157,230)	(112,312)
Purchase of franchise rights	(370,000)	--
Advance to Interpreter	(150,000)	--
Net cash used in investing activities	(677,230)	(112,312)

See notes to financial statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

CONSOLIDATES STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)

	Six Months Ended	
	February 29, 1992	February 28, 1991
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing under notes payable	$37,013,045	$29,623,803
Principle payments on notes payable	(38,187,436)	(28,079,738)
Proceeds from issuance of common stock, net of issuance cost	--	950,351
Proceeds from exercise of common stock warrants	1,674,649	--
Decrease in restricted cash	2,079,519	
Principal payments on obligations under capital leases	(38,930)	(14,266)
Net cash provided by financing activities	2,540,847	2,480,150
NET INCREASE (DECREASE) IN CASH	520,605	(11,595)
CASH AT BEGINNING OF PERIOD	--	394,373
CASH AT END OF PERIOD	$ 520,605	$ 382,778

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 375,883	$ 316,107
Income taxes	529,300	387,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease obligations for new equipment	$ 60,812	--
Note payable for purchase of Grand Junction store assets	44,340	--

DISCLOSURE OF ACCOUNTING POLICY:
For the purpose of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See notes to financial statements.

RANDOM ACCESS, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments necessary for a fair presentation of the Company's unaudited financial statements for the three and six months ended February 29, 1992 and February 28, 1991 have been included. Such adjustments consist only of normal recurring items. The results of operations for the interim periods are not necessarily indicative of the results to be expected for a full fiscal year.

The Company's August 31, 1991 financial statements and notes thereto, which are included in the Annual Report on Form 10-K, should be read in conjunction with this Form 10-Q.

B. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation and amortization at February 29, 1992.

Computer equipment and software	$ 877,063
Furniture and equipment	374,339
Leasehold improvements	122,747
Vehicles	73,048
	1,447,197
Less accumulated depreciation and amortization	(712,022)
	$ 735,175

B. PROPERTY AND EQUIPMENT (Continued)

The following is a summary of leased property under capital leases by major classes of property and equipment at February 29, 1992:

Computer equipment and software	$ 300,076
Furniture and equipment	110,340
Vehicles	63,076
	473,492
Less: Accumulated depreciation and amortization	(152,909)
	$ 320,583

C. CREDIT ARRANGEMENTS:

Revolving Line of Credit:

At February 29, 1992 the Company's available debt financing is provided by ITT Commercial Finance ("ITT"). The Company has a revolving line of credit with ITT which provides for maximum borrowings of $8,000,000. The outstanding principal on the line of credit at February 29, 1992 was $3,651,231. Borrowings under the line of credit are collateralized by receivables, inventory and equipment. Interest accrued at the 10.0% during the period ended February 29, 1992, in March of 1992 the rate was changed to prime rate plus 1% (prime rate at that time was 7.0%), with interest payable monthly and principal on demand. The line of credit provides for an additional fee of 0.1% for each advance on the line of credit. The Company's president has personally guaranteed the Company's obligations under the revolving line of credit.

The revolving line of credit agreement also provides that the Company maintain a lockbox account for the deposit of customer receipts. The lender is the only party authorized to withdraw funds from this account which is

C. CREDIT ARRANGEMENTS:

Revolving Line of Credit (Continued):

federally-insured for balances up to $100,000. At February 29, 1992, this lockbox account had a balance of $200,632.

The Company's revolving line of credit agreement contains covenants which prohibit the Company from paying dividends, merging with another entity, disposing of assets or borrowing funds without prior written consent of the lender. The agreement also requires that the Company maintain certain financial ratios, including a current ratio of 1.2 to 1.

Inventory Financing:

ITT and IBM Credit Corporation also provide floorplan financing for the Company's inventory purchases. Under these arrangements, the Company may borrow up to a maximum of $14,825,000 at February 29, 1992. At February 29, 1992 aggregate borrowings were outstanding in the principal amount of $14,553,377, such amounts bear no interest for 30 days and thereafter interest accrues at the prime rate plus 2% to 4% depending on length of time outstanding. Borrowings are collateralized by inventory. The borrowings on these plans are included in trade accounts payable in the accompanying balance sheets. Interest if any, is payable monthly and principal is due on demand.

D. NOTES PAYABLE

In November 1991 the Company purchased certain assets of Connecting Point of Grand Junction for $45,000 cash and promissory note of $50,000. This note is payable in eight quarterly installments of $6,500 commencing February 1992 and bears no interest. The Company has the right to prepay the Note, in whole or in part, without penalty and discounted to present value using a discount rate equal to 11%.

F. SHAREHOLDERS' EQUITY:

In July 1991, the Company provided written notice to holders of warrants issued in connection with the May 1989, and September 1990, public offerings, that the Company would redeem all warrants not exercised on or before September 30, 1991. The Warrants entitled the holder to purchase one share of the Company common stock for $2.00. All unexercised warrants could be redeemed by the Company for $.05 per warrant. A total of 917,830 warrants were exercised through September 30, 1991 and 6,620 warrants were not exercised. Warrant holders who did not exercise by September 30, 1991 are entitled to claim the redemption price of the warrants until September 30, 1993.

G. FRANCHISE AGREEMENTS:

During the forth quarter of fiscal 1991 and the first quarter of fiscal 1992, the Company purchased the franchise rights to operate the Computer departments at 16 BizMart stores for the aggregate franchise fee of $470,000. These fees are being amortized over 20 years utilizing the straight-line method.

H. INCOME TAXES:

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards No. 96 (SFAS no. 96), "Accounting For Income Taxes". During 1992, the FASB issued SFAS Nos. 108 and 109 which delay the effective date for implementation and significantly amend SFAS No. 96. The Company is now required to implement SFAS No. 109 no later than during the fiscal year ending August 31, 1994. Management has not determined if implementation of SFAS No. 109 will have a material impact on its results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

I. ACQUISITION AGREEMENT:

On January 17, 1992 the Company entered into an agreement and plan of reorganization (the "Agreement") with CWE, Inc. ("CWE"). Pursuant to the Agreement, the Company will acquire 100% of the outstanding common stock of CWE in exchange for newly issued shares of Random common stock. CWE's primary business activities consist of the sale of microcomputer systems to retail customers in the Denver metropolitan area.

Consummation of the merger is contingent upon the following matters:

- CWE holders of preferred stock with a liquidation value of $500,000 must convert there preferred shares to common shares of CWE.
- CWE and Random must obtain consent form their lenders to enter into the transaction.
- A registration statement covering the Random shares issuable to CWE shareholders must be declared effective by the Securities and Exchange Commission.
- A majority of shareholders of CWE must vote in favor of the merger. (Holders of approximately 70% of the outstanding stock of CWE have indicated there intention to vote for the merger.)

The Agreement provides that up to 1,450,000 shares of Random common stock may be issued to the CWE shareholders. The initial number of shares which Random will initially issue to acquire CWE is based upon a formula which considers the net tangible assets of CWE as of June 30, 1991, and the average bid price for Random's common stock. For the purpose of this formula, "CWE value" is $1,418,858. The average bid price of Random's common stock will not be known until the closing. However, based on Random's current bid price of approximately $3.00 per share, the bid price for purposes of the formula would be $3.35 per share. Accordingly, Random would initially issue approximately 424,000 shares of its common stock to the shareholders of CWE. Management emphasizes that the actual number of shares issued may be more or less depending upon the actual

I. ACQUISITION AGREEMENT (Continued):

market price of Random's common stock for the three days preceding the closing date.

In connection with this acquisition, Random has agreed to issue approximately 20,000 shares of its common stock to an investment banking firm. Random also expects to incur other costs in connection with the acquisition of approximately $20,000. Assuming the price of Random's common stock is $3.00 per share on the closing date, the initial cost of CWE is as follows:

- CWE shareholders - 424,000 shares at $3.00	$1,272,000
- Investment banker - 20,000 shares at $3.00	60,000
- other cost of acquisition	20,000
	$1,352,000

Pursuant to the Agreement, Additional shares of Random common Stock will be issued to the former CWE shareholders based upon the calendar 1992 and 1993 earnings of CWE's wholly-owned subsidiary, CW Electronics, which will continue during such time to be operated as a subsidiary of Random, based upon the following earrings based formula:

> Each dollar of "operating income" of CW Electronics for fiscal year 1992 and 1993 in excess of $380,954 annually, then multiplied by seven (7) will equal "CWE C.W. Value" "operating income" shall be reduced by $17,500 annually to reflect CW Electronics public reporting expense which will be borne by Random. In no event shall the aggregate CWE Value plus CWE C.W. Value exceed $5,000,000.
>
> The CWE C.W. Value is then divided by the average bid price of Random Common Stock for the five trading days preceding the "Calculation Date." The calculation Date shall be the date upon which the CWE C.W. Value is calculated. The resultant number will be the number of additional shares of Random common stock issued to the former CWE shareholders pursuant to the earnings based provisions of the contemplated merger. The maximum number of additional

I. ACQUISITION AGREEMENT (Continued):

shares of Random Common Stock which could be issued pursuant to this earnings based formula shall be 1,450,000 shares, less the number of shares of Random common stock initially issued to the CWE shareholders pursuant to the Agreement.

Item 2. Management's discussion and analysis of financial condition and results of operations.

The following table sets forth the Company's Consolidated statements of Income as percentage of net sales.

	Three Months Ended		Six Months Ended	
	Feb 29, 1992	Feb 28, 1991	Feb 29, 1992	Feb 28, 1991
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	86.6	83.0	87.1	83.1
Gross profit	13.4	17.0	12.9	16.9
Selling, general and administrative expenses	11.7	11.5	11.4	11.6
Operating income	1.7	5.5	1.5	5.3
Interest expense	(.8)	(1.1)	(.7)	(1.1)
Other income	.3	.1	.2	.2
Income before taxes	1.2	4.5	1.0	4.4
Provision for income taxes	(.5)	(1.7)	(.4)	(1.7)
Net income	.7%	2.8%	.6%	2.7%

Results of Operations

Three Months Ended February 29, 1992 Versus Three Months Ended February 28, 1991

During the three months ended February 29, 1992 the Company had sales of approximately $27,246,000, an increase of 61% from the three months ended February 28, 1991. Most of this increase can be attributed to sales of $8,657,000 from computer departments of 16 BizMart office supply stores in which the Registrant acquired franchises to operate such computer departments from Intelligent Electronics, parent company of BizMart, Inc., and the franchisor of the Registrant. Sales to corporate customers increased by $1,674,000 to $18,589,000 an increase of 9.9% for the comparative three month period.

Gross profit margins for the three months ended February 29, 1992 decreased to 13.4% from 17.0% for the three months ended February 28, 1991. This decrease was the result of significant margin pressure in the computer reseller industry during the period. Gross profit margins for the quarter's corporate sales were 14% compared to 12.3% for the

BizMart sales. Management believes that the current trend in declining gross profit will continue during the remainder of fiscal 1992.

General and administrative expenses increase by $1,245,000 for the three months ended February 29, 1992 compared to the three months ended February 28, 1991. This increase of 64% was slightly more than sales increase for the quarter. The major increases were attributed to increased personnel cost consisting of additional personnel and salary increases. BizMart operations contributed $1,023,000 of the increase and consisted primarily of personnel costs and central system fees paid to BizMart which by agreement amount to 5.5% of product cost.

For the three months ended February 29, 1992 the BizMart computer franchise operations incurred a pre-tax loss of approximately $44,600. This loss is primarily attributed to lower than anticipated gross margins and start-up inefficiencies.

Interest expense for the three months ended February 29, 1992 increased by 23% compared to the three months ended February 28, 1991. This increase is indicative of high level of floorplan debt required to finance increased inventories in the BizmMart computer departments, during 1992. The increased debt levels were partially mitigated by generally lower interest rates as compared to the same period of the previous year.

Six Months Ended February 29, 1992 Versus Six Months Ended February 28, 1991

For the six months ended February 29, 1992 there was an increase of $21,580,000 a 74% increase, from the same period of the previous year. Of this increase the BizMart computer franchises accounted for $13,289,000 and additional corporate sales accounted for $8,291,000 an increase of 28.6%. Gross profit margins for the comparable six months were down from 16.9% in 1991 to 12.9% in 1992.

General and administrative expenses for the six months ended February 29, 1992 were approximately $5,799,000 an increase of approximately $2,425,000 or 72% form the six months ended February 28, 1991. The most significant increases were attributable to increased staffing, higher communications costs, and increased occupancy expenses. BizMart operations added $1,475,000 in general and administrative expenses and consist primarily of personnel cost and central system fees and advertising fees paid to BizMart under the franchise agreement.

For the six months ended February 29, 1991 BizMart computer departments incurred pre tax losses of approximately $85,000. These losses can be attributed to start-up costs incurred in placing these centers into operation and continued margin pressure in the computer reseller industry.

Financial Condition

The Company had working capital of approximately $4,591,000 at February 29, 1992, as compared to $3,345,000 at August 31, 1991. This increase resulted primarily from proceeds of approximately $1,675,000 from the call of the Registrant's outstanding publicly held warrants in July 1991.

During the six months ended February 29, 1992 the Company utilized approximately $1,600,000 of cash flows from operating activities. The operating cash flows deficit resulted from the Company's continued growth in sales which required additional amounts of cash to finance higher levels of inventories.

The Registrant's investing activities utilized approximately $300,000 for leasehold improvements and other additions related to the Company's new offices. Additionally, the Registrant paid $370,000 to acquire twelve additional BizMart franchises in the fall of 1991. Investing activities also utilized $150,000 for advances to Interpreter Inc., during the six months ended February 29, 1992.

During the six months ended February 29, 1992 the Registrant increased borrowings net of restricted cash balance under its revolving line of credit by approximately by $979,000.

The registrant's financing activities also utilized cash of $39,000 for principal payments on obligations under capital leases.

The Company maintains a credit facility which provides for maximum borrowings of $8,000,000 at an interest rate of prime plus 1.0% with an additional fee of 0.1% for advances on the facility. This line is secured by accounts receivable with advances made up to 85% of eligible receivable less than ninety days old. At the sole discretion of the lender, this facility may on occasion exceed the pre-established limit.

Management feels that the new loan agreement and continued earnings will provide sufficient working capital to continue funding operations as needed. Cash requirements for the remainder of fiscal 1992 include approximately $500,000 for furniture and fixtures at the Company's new office facility for which debt financing was secured in March 1992.

PART II - OTHER INFORMATION

Item (1) Legal proceedings

Not applicable

Item (2) Changes in securities

Not applicable

Item (3) Default upon senior securities

Not applicable

Item (4) Submission of matters to a vote of security holders

Not applicable

Item (5) Other Information

Item (6) Exhibits and reports on Form 8-K

Exhibit 10.5 Agreement And Plan of Reorganization date January 17, 1992 between the Company and CWB, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Random Access, Incorporated

Date: April 17, 1992

By

Bruce A. Milliken
Chief Executive Officer,
President and Director

Date: April 17, 1992

By

John Gierscher
Chief Financial Officer
(Principal Financial and
Accounting Officer)

RANDOM ACCESS, INC.
Quarterly Report on Form 10-Q
for the quarter ended February 29, 1992

Exhibit 10.25
Agreement and Plan of Reorganization between the Company and CWE, Inc.

Dated January 17, 1992

AGREEMENT AND PLAN OF REORGANIZATION

This Agreement and Plan of Reorganization (the "Agreement") is dated as of January 17, 1992, between Random Access, Inc., a Colorado corporation ("Random") and CWE, Inc., a Colorado corporation ("CWE"). Random and CWE are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, the Parties are desirous of effecting a tax-free merger of CWE with and into Random in a transaction intended to qualify as a reorganization pursuant to the Internal Revenue Code of 1986, as amended; and

WHEREAS, CWE shareholders will receive common stock in Random in exchange for their stock in CWE; and

WHEREAS, the parties expect that the merger of CWE with and into Random will further certain of their business objectives.

NOW, THEREFORE, Random and CWE adopt this plan of reorganization and agree as follows:

Section 1. The Merger

1.1 The Merger. At the Effective Time pursuant to the Colorado Corporation Code, CWE shall be merged with and into Random (the "Merger"), which latter corporation shall survive the Merger, and the separate existence and corporate organization of CWE shall cease.

1.2 Articles of Incorporation. The Articles of Incorporation of Random in effect at and as of the Effective Time will remain the Articles of Incorporation of Random without any modification or amendment in the Merger.

1.3 Bylaws. The Bylaws of Random in effect at and as of the Effective Time will remain the Bylaws of Random without any modification or amendment in the Merger.

1.4 Directors and Officers. Directors and officers of Random at and as of the Effective Time shall be as set forth in Schedule 1.4.

1.5 The Effective Time. The Merger shall become effective at the time (the "Effective Time") CWE and Random file Articles of Merger with the Secretary of State of the State of Colorado. The Merger shall have the effect set forth in the Colorado Corporation Code.

1.6 Conversion of CWE Shares. At and as of the Effective Time, (a) each share of $.005 par value common stock of CWE, other than any dissenting shares, (the "CWE Stock") shall be converted into the right to receive shares of $.0001 par value common stock of Random (the "Random Stock") at the "Conversion Ratio" as set forth in Schedule 1.6 and (b) each dissenting share of CWE Stock shall be converted into the right to receive payment from Random with respect thereto in accordance with the provisions of the Colorado Corporation Code. No CWE share shall be deemed to be outstanding or to have any rights other than those set forth above in this Section 1.6 after the Effective Time.

1.7 Procedure for Conversion of CWE Shares. Immediately after the Effective Time, (a) Random will furnish to its transfer agent, American Securities Transfer, Inc. (the "Exchange Agent") a stock certificate (issued in the name of the Exchange Agent or its nominee) representing that number of shares of Random Stock equal to the product of (I) the Conversion Ratio times (II) the number of outstanding CWE shares (other than any dissenting shares) and (b) Random will cause the Exchange Agent to mail a letter of transmittal (with instructions for its use) to each record holder of outstanding CWE shares for the holder to use in surrendering the certificate which represented his or its CWE shares in exchange for a certificate representing the number of Random shares to which he or it is entitled. No fractional shares of Random Stock will be issued. If the number of shares which a holder of CWE Stock would have received pursuant to the Conversion Ratio would have resulted in a fractional share of Random Stock, then such amount will be rounded up or down to the nearest whole share of Random Stock, as the case may be.

1.8 Surrender of Certificates. Until surrendered and exchanged, each outstanding certificate for shares of CWE Stock, upon and after the Effective Time, shall be deemed for all purposes, other than the payment of dividends or other distributions, if any, to Random shareholders, to represent the number of whole shares of Random Stock as hereinabove provided. Until certificates for shares of CWE Stock shall be surrendered and exchanged for certificates for shares of Random Stock, no dividend or other distributions, if any, payable to holders of record of Random Stock as of any date subsequent to the Effective Time shall be paid to the holders of such outstanding certificates of CWE, but upon surrender and exchange of such outstanding certificates of CWE, there shall be paid to the record holders of the certificates issued in exchange therefor, the amount, without interest thereon, of dividends and other distributions, if any, which theretofore have become payable with respect to the number of whole shares of Random Stock represented thereby.

1.9 Additional Shares of Random to be Issued to CWE Shareholders. Additional Random shares will be issued to the former CWE shareholders (as of immediately prior to the Effective Time), in the event certain earnings are achieved by CW

Electronics Sales Corp., a subsidiary of CWE ("CW"). Such additional shares shall be issued on or before February 28, 1993 (the "Second Closing Date") and on or before February 28, 1994 (the "Third Closing Date"). The number of additional shares of Random Stock to be issued to the former CWE shareholders shall be determined as follows:

(a) Each dollar of Net Income of CW for the calendar year 1992 in excess of $380,954 shall be multiplied by 7, which amount shall be deemed the "1992 CW Value";

(b) Each dollar of Net Income of CW for the calendar year 1993 in excess of $380,954 shall be multiplied by 7, which amount shall be deemed the "1993 CW Value";

(c) On or before the Second Closing Date, the 1992 CW Value shall be divided by the average of the closing bid price of Random Stock for the five trading days immediately preceding the Second Closing Date;

(d) On or before the Third Closing Date, the 1993 CW Value shall be divided by the average of the closing bid price of Random Stock for the five trading days immediately preceding the Third Closing Date;

(e) "Net Income" for any period shall mean the net income for such period as set forth in the financial statements of CW prepared by CW, as may be adjusted upon review by independent certified public accountants selected by Random, plus all state and federal income tax and interest expense for such period. Further, none of Random's expenses, including without limitation, Random's legal, accounting or other expenses related to Random's status as a publicly-held reporting corporation, shall be included as expense items of CW, except that there shall be deducted the fixed amount of $17,500 each year to reflect these expenses. Net Income shall otherwise be determined in accordance with generally accepted accounting principles consistent with CW's normal business practices and accounting policies;

(f) In no event shall the total number of shares issued to the former CWE shareholders pursuant to all three of the stock issuances contemplated herein exceed 1,450,000 shares of Random Stock or the total value of such Random Stock calculated as of the dates of issuance exceed $5,000,000;

(g) (1) Subsequent to the Effective Time, Random, as the sole shareholder of CW, shall cause the Board of Directors of CW to be comprised of five persons. Of the five persons on the Board of Directors of CW, three persons will have been designated at or before the Effective Time by CWE. If any of those persons shall cease to be a member of the Board of CW, then the remaining members designated by CWE will have the authority to designate a replacement. The other two members of the Board of CW shall be designated by Random. If any of those persons shall cease to be a member of the Board, the remaining members designated by Random will have the authority to designate a replacement. The composition of the Board of CW shall continue in accord with provisions of this Section 1.9(i) until the earlier to occur of the (i) Third Closing Date; or (ii) distribution of the maximum number of shares of Random Stock that may be issued to the former CWE shareholders pursuant to Section 1.9(h) (the "Expiration Date"). From the Closing until the Expiration Date, no decision of the Board of CW shall be made without the concurrence of a minimum of four of the five Board members. (2) Notwithstanding the foregoing, if prior to the Expiration Date, CW incurs an operating loss in any fiscal quarter of greater than $50,000, or incurs operating losses in any two consecutive fiscal quarters or incurs an annual operating loss, then one of the three persons designated by CWE shall resign and be replaced by a person designated by Random and decisions of the Board shall then be made upon the concurrence of three of the five Board members.

1.10 Conversion of Options. CWE has a 1991 Stock Option Plan pursuant to which options to purchase up to 1,000,000 shares of CWE Stock may be granted. CWE has granted options to three key employees: Gregory E. Kinnear, Paul F. Kaufhold and Frank J. Siciliani to purchase an aggregate of 704,376 shares of CWE Stock. At and as of the Effective Time, all outstanding CWE options will be terminated and Gregory E. Kinnear, Paul F. Kaufhold and Frank J. Siciliani will be granted options to purchase an aggregate of 14,500 shares of Random common stock under Random's Incentive Stock Option Plan.

1.11 Disincentive to Compete Against Sole Shareholder. In order that CW not compete against Random as to Random's existing customers, CW agrees that to the extent that CW's sales to U S West and any affiliate of U S West for either calendar year 1992 or calendar year 1993, in the aggregate exceed $3,200,000, then for purposes of the calculations set forth in Paragraphs 1.9(a) and (b), the gross profit of such sales in excess of $3,200,000 shall be subtracted from CW Net Income for purposes of calculating 1992 CW Value and 1993 CW Value. Furthermore, CW agrees that it will not respond to any Response for Proposal ("RFP") from Business Resources, Inc., an affiliate of U S West ("BRI"), during calendar years 1992 and 1993.

Section 2. Closing

2.1 Closing. The Closing contemplated by Section 1.1 shall be held at the offices of CWE's counsel, Bearman & Talesnick Professional Corporation, 1200 17th Street, Suite 2600, Denver, Colorado, on the second business day following the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated hereby or such other date as the parties may mutually determine.

2.2 Actions at the Closing. At the Closing, (a) CWE will deliver to Random the various certificates, instruments, and documents referred to in Section 8, (b) Random will deliver to CWE the various certificates, instruments, and documents referred to in Section 7, (c) CWE and Random will file with the Secretary of State of the State of Colorado Articles of Merger, and (d) Random will deliver to the Exchange Agent in the manner provided in Section 1.8, the certificates evidencing the Random Stock issued in the Merger.

Section 3. Representations, Warranties and Covenants of CWE

For purposes of this Section 3, any reference to the "the best knowledge of CWE" shall mean the best of CWE's knowledge only after diligent inquiry by CWE with respect to the matter referenced. CWE represents and warrants to, and covenants with, Random as follows:

3.1 Corporate Status. Each of CWE and CW is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado and is licensed or qualified as a foreign corporation in all states in which the nature of its business or the character or ownership of its properties makes such licensing or qualification necessary. Each of CWE and CW has all requisite power and authority, and all licenses, franchises, permits and authorizations necessary to carry on its business as currently conducted and to own, lease and operate the assets, property and business now owned and operated by it except as set forth in Schedule 3.1, where the failure to have such licenses, franchises, permits and authorizations would not have a material adverse effect on its financial condition, results of operations, assets, property, liabilities or business.

3.2 Capitalization. The authorized capital stock of CWE consists of 15,000,000 shares of common stock, having a par value of $.005 per share, of which 4,831,180 shares are issued and outstanding, fully paid, and nonassessable, and 650,000 shares are reserved for issuance upon exchange of all the issued and outstanding preferred stock of CW. The 1991 Stock Option Plan has authorized 1,000,000 shares, of which options to purchase an aggregate of 704,376 shares are outstanding. There are 144,936 shares authorized under the 1991 Non-Employee Directors' Stock Option Plan, of which 42,273 shares have been issued or reserved for issuance as of December 2, 1991. Except for the 1991 Stock Option Plan and the 1991 Non-Employee Directors' Stock Option Plan, there are no outstanding warrants, options or other agreements to acquire securities of CWE. The authorized capital stock of CW consists of 50,000 shares of preferred stock, having a par value of $.01 per share, of which 5,000 shares are issued and outstanding, and 500,000 shares of common stock, having a par value of $.01 per share, of which 500,000 shares are issued and outstanding, fully paid, and nonassessable. There are no outstanding warrants, options, or other agreements to acquire securities of CW.

3.3 Subsidiaries and Affiliates. Each of CWE and CW does not, directly or indirectly, own any interest in or control any other corporation, partnership, limited liability company, joint venture, association or other form of business organization, except as set forth in Schedule 3.3.

3.4 Financial Statements. To the best knowledge of CWE, the audited financial statements of CWE and CW ("Successor") and CW Electronics Sales Company ("Predecessor") furnished to Random consisting of (1) balance sheets of the Successor as of June 30, 1991, and June 30, 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended June 30, 1991 (Successor period); and the statements of operations, stockholders' equity and cash flows of the Predecessor for the three months ended June 30, 1990 and for each of the years in the two-year period ended March 31, 1990 (Predecessor periods), and the unaudited balance sheet of the Successor as of September 30, 1991 ("CWE'S Latest Balance Sheet") and the unaudited statement of income for the three months then ended, are true and accurate statements of the financial condition and the results of operations of the Successor and the Predecessor as of the dates and for the periods involved, and such statements were prepared in accordance with generally accepted accounting principles consistently applied.

3.5 Interim Statements. Any unaudited monthly balance sheets of CWE and the related unaudited statements of income and retained earnings for the monthly and fiscal year to date periods then ended, which CWE hereby covenants to furnish to Random, will present fairly the consolidated financial condition of CWE as of the dates thereof and the results of its operations for the periods then ended, in accordance with books and records of CWE and in conformity with generally accepted accounting principles consistently applied (except for accruals and adjustments normally made at year-end).

3.6 Title to Property. Except as set forth in Schedule 3.6, each of CWE and CW has good and valid title to all the properties and assets, real and personal, reflected on CWE's Latest Balance Sheet and owns these assets free and clear of all liens, claims, charges or encumbrances of any kind or description other than (i) liens for the current year's taxes not yet due and payable and (ii) liens securing the liabilities shown on CWE's Latest Balance Sheet, with respect to which no default exists. The properties and assets reflected in CWE's Latest Balance Sheet include all the assets, rights and property utilized exclusively by CW in the conduct of CW's business and all other assets, rights and property necessary for the conduct of CW's business.

3.7 Condition of Assets. The properties and assets of CW as listed on CWE's Latest Balance Sheet are, and as of the Closing will be, in good operating condition and suitable for continued use in the same manner as heretofore used and, except as disclosed in Schedule 3.7, the equipment and vehicles constitute all the equipment and vehicles that are necessary to continue effectively the operation of CW's business that is currently conducted.

3.8 CW's Inventory and Supplies. Each of CW's and CWE's inventory and supplies as of the Closing will have been purchased in the ordinary course of business at or about market prices prevailing at the times of purchase. Each of CW's and CWE's inventory and supplies are of a quality and in quantities saleable, or usable, as the case may be, in the ordinary course of their business. Each of CW's and CWE's inventory is valued at the lower of cost or market price as reflected in CW's and CWE's books of account.

3.9 Product Warranties. Except as set forth in Schedule 3.9, to the best knowledge of CWE there is no significant design, manufacturing, or other defect in any product sold by CW and CWE which has resulted in the past, or could result in the future, in any required recall, repair, replacement, credit or refund for which CW or CWE would be responsible.

3.10 Accounts Receivable. As of the Closing, CW's and CWE's accounts receivable will be valid, legal and subsisting accounts, enforceable in accordance with their respective terms and arising from bona fide transactions in the ordinary course of business and will be collectible in amounts not less than the aggregate amount thereof carried on the books of CW and CWE, net of reserves. To the best knowledge of CW and CWE, the collectibility of each account receivable will not be impaired by any right of return, statute of limitation, right of set-off, counterclaim or defense.

3.11 Liability. Each liability shown on CWE's Latest Balance Sheet represents a valid obligation of CW incurred in the ordinary course of CW's business.

3.12 Consents. Except as set forth in Schedule 3.12, no consent, approval, qualification, order or authorization of, or filing with, any governmental authority, including any court or other third party, is required in connection with the valid execution, delivery or performance of this Agreement by CWE or the consummation by CWE of the transactions contemplated hereby.

3.13 Intangible Rights. Schedule 3.13 contains an accurate and complete list of all material intangible rights utilized in connection with CW's and CWE's business. To the best knowledge of CWE, these intangible rights are being lawfully used in CW's and CWE's business and may be so used without payment to, or interference from, any party, and there has been no assignment, license or other authorization given to any party to use any of these intangible rights. Except as set forth in Schedule 3.13(a), to the best knowledge of CWE, each of CW and CWE has the right to use, without payment to any third party, all proprietary rights used in CW's business. CW has not received any notice, nor does CWE have any reason to believe, that any of these intangible rights are being infringed upon by any third party.

3.14 Employees. Each of CWE and CW has no contract or agreement with any labor union or other collective bargaining group and has not been involved in any strike, work stoppage, lock out or unfair labor practice, as such term is defined in the National Labor Relations Act, as amended, of any kind or nature. No employee of CWE or CW has petitioned for a collective bargaining representation election and no union is currently attempting to organize any of the employees of CWE or CW. To the best knowledge of CWE, each of CWE and CW is in compliance in all material respects with all federal and state laws governing employment, employment practices and the terms and conditions of employment. Except as described on Schedule 3.14, each of CWE and CW has no pension, profit sharing, bonus, retirement, stock purchase, deferred compensation, group health, major medical disability, or life insurance plans or other similar plans providing retirement or welfare benefits to the employees of CWE or CW.

3.15 Contracts, Agreements, Leases and Commitments. Except for the contracts, agreements, leases and commitments listed on Schedule 3.15, each of CWE or CW is not a party to or bound by any material contract, agreement, lease or other commitment. All of the contracts listed in Schedule 3.15 are in full force and effect without amendment or modification, other than sales orders or purchase orders entered into in the ordinary course of CW's business. Except as set forth in Schedule 3.15, to the best knowledge of CWE, each of CWE or CW is not in default under any contract and has not received notice of any alleged default by it under any contract which has not been waived under that contract.

3.16 Litigation. Except as set forth in Schedule 3.16, there are no actions, suits, proceedings or claims pending or, to the best knowledge of CWE, threatened against or affecting each of CWE or CW, its business or assets or properties. There are no judgments, orders or decrees outstanding against each of CWE or CW. Neither CW nor CWE has any knowledge of any pending or threatened proceeding which would, in any manner, impair or curtail the operation of CW's or CWE's business in the manner currently operated and neither CW nor CWE has any knowledge of any other condition which would, in any manner, impair or curtail in any material respect the conduct of CWE's or CW's business in the manner currently operated.

3.17 Condemnation; Assessments; Defects. Neither CWE nor CW has received any notice of any condemnation action or special assessment being contemplated with respect to their premises or any of their properties or any notice from any governmental authority or insurance company of any defect or inadequacy in these premises or properties or any part thereof.

3.18 Compliance with Law. To the best knowledge of CW and CWE, each of CWE and CW is in compliance, in all material respects, with all applicable laws, rules, regulations or requirements of any governmental authority, federal, state or local, relating to its business, including, without limitation, the impact of its business upon the environment, and the continued operation of its business in the manner heretofore conducted will not violate, in any material respect, any existing statute, rule, regulation or order, federal, state or local. Neither CWE, CW nor their officers, directors or representatives has received notice of any violation with respect to CWE's or CW's business and operations.

3.19 Taxes. To the best knowledge of CWE:

(a) CWE and CW have filed with the appropriate federal, state and local governmental authorities all tax returns required to be filed with respect to their business and properties and have paid all assessments shown to be due and claimed to be due on all such tax returns.

(b) There are no additional assessments due or claimed to be due with respect to such filed returns.

(c) Except as disclosed in Schedule 3.19, each of CWE and CW has not executed or filed any agreement extending the period for assessment or collection of any tax nor is CWE or CW a party to any action or proceeding by any governmental authority for the assessment or collection of taxes of CWE or CW.

(d) All returns filed by CWE and CW constitute complete and accurate representations of the tax liabilities for such years and accurately set forth all items (to the extent required to be included or reflected in such returns) relevant to the future tax liabilities, including the tax bases of the properties and assets;

(e) The financial statements of CWE fairly present the charges, accruals, and reserves for taxes of CWE and CW for all taxes payable by CWE and CW for any period prior to the Closing for which no return has yet been filed;

(f) No examination of the tax returns of CWE or CW is currently in progress nor, to the best knowledge of CWE, is any such examination threatened; and

(g) None of the returns of either CWE or CW have been reviewed or audited by applicable federal, state, local, and foreign taxing authorities and none of the returns have received clearances or other indications of approval from applicable federal, state, local, and foreign taxing authorities. To the best knowledge of CWE, no issue or issues have been raised in connection with any prior or pending review or audit of said federal, state, local, or foreign returns which CWE reasonably believes may be expected to be raised in the future by such taxing authorities in connection with the audit or review of the returns of either CWE or CW.

For purposes of this Section the term "tax" (and with corresponding meanings "taxes" and "taxable") shall include without limitation all federal, provincial, state, local and foreign net income, profits, alternative add-on minimum tax, gross income, value added, franchise, gross receipts, sales, use, ad valorem, occupation, license, excise, payoff, stamp, premium, withholding, real and personal property, and other taxes, and related or similar governmental charges, tariffs, customs duties, assessments, together with any interest, fines, and penalties or addition to tax imposed with respect to the foregoing.

3.20 Insurance. Each of CWE's and CW's assets, property and business are covered by insurance policies of the types customarily carried by businesses such as that of CW and CWE, which policies are in full force and effect with all premiums due thereon covering all periods up to and including the Closing paid or accrued. Such policies are adequate in amount, scope and coverage to protect CW and CWE against any material loss of assets or property or any interruption in its operations customarily insured against. Schedule 3.20 sets forth an accurate and complete list of each insurance policy owned or maintained by CWE and CW. Neither CWE nor CW has received any notice of cancellation with respect to any such policy, no claims are pending under any such policy and, to the best knowledge of CWE, there is no basis for any insurer thereunder to terminate any such policy.

3.21 Books of Account and Records. Each of CWE's and CW's books of account fairly reflect its income, expenses, assets and liabilities and have been maintained in accordance with sound business practices. The customer and supplier records of CW are in all respects complete and correct and have been maintained in accordance with sound business practices and in conformity with all applicable government laws, rules and regulations.

3.22 Undisclosed Liabilities. Except as set forth in Schedule 3.22, to the best knowledge of CWE and CW, each of CWE and CW has no material liabilities of any nature except to the extent reflected, or reserved against, in CWE's Latest Balance Sheet, whether accrued, absolute, contingent, or otherwise, including, without limitation, tax liabilities and interest due or to become due.

3.23 Absence of Certain Changes. Except as contemplated by this Agreement or disclosed in Schedule 3.23, since September 30, 1991, each of CWE and CW have not done or allowed to occur any of the following:

(a) operated its business or dealt with its assets and property other than in the ordinary course;

(b) cancelled or compromised any debt or claim other than immaterial adjustments in the ordinary course of business;

(c) released, transferred or granted any rights;

(d) suffered any material adverse change in its financial condition, properties or business or obtained knowledge of any present or future business condition which could materially adversely affect any of its assets, properties or business, or which could prevent it from carrying on its business in substantially the same manner as that in which it is being conducted;

(e) suffered any material damage, destruction, or loss of or to its property, whether or not covered by insurance;

(f) declared or paid any dividend or other distribution in respect to CW's capital stock or any direct or indirect redemption, purchase, or other acquisition of any such stock;

(g) made, amended or cancelled any contract, agreement, lease, order or other commitment (other than sales or purchase orders in the ordinary course of business) or, except to the extent waived by the other party thereto, failed to keep any of them in full force and effect or to perform any of its obligations thereunder;

(h) increased the salary or wages of any director or officer in excess of 5%;

(i) incurred any liabilities or obligations, whether absolute or contingent, accrued or otherwise, other than ordinary operating expenses which in the aggregate do not materially adversely affect its business or financial condition;

(j) entered into any transaction, done any act or thing or suffered any act or thing to be done which would result in any representation or warranty of CWE contained in this Agreement becoming untrue immediately after the consummation of such transaction; or

(k) pledged or subjected to lien or to any other charge or encumbrance any of its assets or properties other than in the ordinary course of business.

3.24 Access to Records. From the date of this Agreement to the Closing, CWE and CW will (1) give to Random and its representatives full access during normal business hours to all of their offices, books, records, contracts, and other corporate documents and properties so that Random may inspect them, and (2) to furnish such information concerning CWE's and CW's properties and affairs as Random may reasonably request.

3.25 Real Property and Leaseholds. Each of CWE and CW does not own any real property. Schedule 3.15 attached hereto contains a description of each lease of real property under which CW and CWE is a lessee, lessor, sublessee, or sublessor.

3.26 Indebtedness to and from Officers, Directors, and Shareholders. Except as set forth in Schedule 3.26, each of CWE and CW are not indebted, directly or indirectly, to any person who is an officer, director, or shareholder of CWE or CW or any affiliate of any such person in any amount whatsoever, other than for salaries for services rendered or reimbursable business expenses, nor is any such officer, director, shareholder, or affiliate indebted to CW or CWE except for advances made by CW or CWE to employees of CW or CWE in the ordinary course of business.

3.27 Authority. CWE has full corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, subject to the approval of its shareholders as required pursuant to Section 7.8, and will deliver to Random at the Closing a certified copy of Resolutions of its Board of Directors authorizing execution of this Agreement by its officers and performance thereunder, and approval of the Merger by the shareholders. Execution of this Agreement and performance by CWE hereunder has been duly authorized by all requisite corporate action on the part of CWE, and this Agreement constitutes a valid and binding obligation of CWE and performance hereunder will not violate any provision of CWE's Articles of Incorporation, Bylaws, agreements, mortgages, or other commitments except that (i) the enforcement of certain rights and remedies created by this Agreement is subject to bankruptcy, insolvency, reorganization and similar laws of general application affecting the rights and remedies of parties, (ii) the enforceability of any particular provision of this Agreement under principles of equity or the availability of equitable remedies, such as specific performance, injunctive relief, waiver or other equitable remedies, is subject to the discretion of courts of competent jurisdiction, and (iii) any court or administrative body may refuse to enforce the choice of law provisions of Section 10.7 of this Agreement.

3.28 Disclosure. To the best knowledge of CWE and CW, no representation or warranty by CWE or CW contained in this Agreement or in any document, statement, or certificate furnished, or to be furnished, to Random pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain an untrue statement of a material fact or omits or will omit to state a material fact required to be stated or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they were or are made, not false or misleading.

3.29 Filings with the Securities and Exchange Commission. To the best knowledge of CWE, CWE has made all filings with the Securities and Exchange Commission ("SEC") that it has been required to make under the Securities Act of 1933 and the Securities Exchange Act of 1934 (collectively the "Public Reports"). Each of the Public Reports has complied with the Securities Act of 1933 and the Securities Exchange Act of 1934 in all material respects. None of the Public Reports as of their respective dates, contain any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Section 4. Representations, Warranties, and Covenants of Random

For purposes of this Section 4, any reference to the "the best knowledge of Random" shall mean the best of Random's knowledge only after diligent inquiry by Random with respect to the matter referenced. Random represents and warrants to, and covenants with, CWE as follows:

4.1 Corporate Status. Random is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado and is licensed or qualified as a foreign corporation in all states in which the nature of its business or the character or ownership of its properties makes such licensing or qualification necessary. Random has all requisite power and authority, and all licenses, franchises, permits and authorizations necessary to carry on its business as currently conducted and to own, lease and operate the assets, property and business now owned and operated by it except as set forth in Schedule 4.1, where the failure to have such licenses, franchises, permits and authorizations would not have a material adverse effect on its financial condition, results of operations, assets, property, liabilities or business.

4.2 Capitalization. The authorized capital stock of Random consists of 50,000,000 shares of common stock, having a par value of $.0001 per share, of which 6,885,062 shares are issued and outstanding, fully paid, and nonassessable. Except as set forth in Schedule 4.2, there are no outstanding warrants, options or other agreements to acquire securities of Random.

4.3 Subsidiaries and Affiliates. Random does not, directly or indirectly, own any interest in or control any other corporation, partnership, limited liability company, joint venture, association or other form of business organization, except as set forth in Schedule 4.3.

4.4 Financial Statements. To the best knowledge of Random, the audited financial statements of Random furnished to CWE consisting of (1) balance sheets of the Random as of August 31, 1991 ("Random's Latest Balance Sheet"), and August 31, 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended August 31, 1991, 1990 and 1989, are true and accurate statements of the financial condition and the results of operations of Random as of the dates and for the periods involved, and such statements were prepared in accordance with generally accepted accounting principles consistently applied.

4.5 Interim Statements. Any unaudited monthly balance sheets of Random and the related unaudited statements of income and retained earnings for the monthly and fiscal year to date periods then ended, which Random hereby covenants to furnish to CWE, will present fairly the financial condition of Random as of the dates thereof and the results of its operations for the periods then ended, in accordance with books and records of Random and in conformity with generally accepted accounting principles consistently applied (except for accruals and adjustments normally made at year-end).

4.6 Title to Property. Except as set forth in Schedule 4.6, Random has good and valid title to all the properties and assets, real and personal, reflected on Random's Latest Balance Sheet and owns these assets free and clear of all liens, claims, charges or encumbrances of any kind or description other than (i) liens for the current year's taxes not yet due and payable and (ii) liens securing the liabilities shown on Random's Latest Balance Sheet, with respect to which no default exists. The properties and assets reflected in Random's Latest Balance Sheet include all the assets, rights and property utilized exclusively by Random in the conduct of Random's business and all other assets, rights and property necessary for the conduct of Random's business.

4.7 Condition of Assets. The properties and assets of Random as listed on Random's Latest Balance Sheet are, and as of the Closing will be, in good operating condition and suitable for continued use in the same manner as heretofore used and, except as disclosed in Schedule 4.7, the equipment and vehicles constitute all the equipment and vehicles that are necessary to continue effectively the operation of the business of Random that is currently conducted.

4.8 Inventory and Supplies. Random's inventory and supplies as of the Closing will have been purchased in the ordinary course of business at or about market prices prevailing at the times of purchase. Random's inventory and supplies are of a quality and in quantities saleable, or usable, as the case may be, in the ordinary course of their business. Random's inventory is valued at the lower of cost or market price as reflected in Random's books of account.

4.9 Product Warranties. Except as set forth in Schedule 4.9, to the best knowledge of Random there is no significant design, manufacturing, or other defect in any product sold by Random which has resulted in the past, or could result in the future, in any required recall, repair, replacement, credit or refund for which Random would be responsible.

4.10 Accounts Receivable. As of the Closing, Random's accounts receivable will be valid, legal and subsisting accounts, enforceable in accordance with their respective terms and arising from bona fide transactions in the ordinary course of business and will be collectible in amounts not less than the aggregate amount thereof carried on the books of Random, net of reserves. To the best knowledge of Random, the collectibility of each account receivable will not be impaired by any right of return, statute of limitation, right of set-off, counterclaim or defense.

4.11 Liability. Each liability shown on Random's Latest Balance Sheet represents a valid obligation of Random incurred in the ordinary course of Random's business.

4.12 Consents. Except as set forth in Schedule 4.12, no consent, approval, qualification, order or authorization of, or filing with, any governmental authority, including any court or other third party, is required in connection with the valid execution, delivery or performance of this Agreement by Random or the consummation by Random of the transactions contemplated hereby.

4.13 Intangible Rights. Schedule 4.13 contains an accurate and complete list of all material intangible rights utilized in connection with Random's business. To the best knowledge of Random, these intangible rights are being lawfully used in Random's business and may be so used without payment to, or interference from, any party, and there has been no assignment, license or other authorization given to any party to use any of these intangible rights. Except as set forth in Schedule 4.13(a), to the best knowledge of Random, Random has the right to use, without payment to any third party, all proprietary rights used in their business. Random has not received any notice, nor does Random have any reason to believe, that any of these intangible rights are being infringed upon by any third party.

4.14 Employees. Random has no contract or agreement with any labor union or other collective bargaining group and has not been involved in any strike, work stoppage, lock out or unfair labor practice, as such term is defined in the National Labor Relations Act, as amended, of any kind or nature. No employee of Random or Retail has petitioned for a collective bargaining representation election and no union is currently attempting to organize any of the employees of Random. To the best knowledge of Random, each of Random is in compliance in all material respects with all federal and state laws governing employment, employment practices and the terms and conditions of employment. Except as described on Schedule 4.14, Random has no pension, profit sharing, bonus, retirement, stock purchase, deferred compensation, group health, major medical disability, or life insurance plans or other similar plans providing retirement or welfare benefits to the employees of Random.

4.15 Contracts, Agreements, Leases and Commitments. Except for the contracts, agreements, leases and commitments listed on Schedule 4.15, Random is not a party to or bound by any material contract, agreement, lease or other commitment. All of the contracts listed in Schedule 4.15 are in full force and effect without amendment or modification, other than sales orders or purchase orders entered into in the ordinary course of business. Except as set forth in Schedule 4.15, to the best knowledge of Random, Random is not in default under any contract and has not received notice of any alleged default by it under any contract which has not been waived under that contract.

4.16 Litigation. Except as set forth in Schedule 4.16, there are no actions, suits, proceedings or claims pending or, to the best knowledge of Random, threatened against or affecting Random, its business or assets or properties. There are no judgments, orders or decrees outstanding against Random. Random has no knowledge cf any pending or threatened proceeding which would, in any manner, impair or curtail the operation of their business in the manner currently operated and Random has no knowledge of any other condition which would, in any manner, impair or curtail in any material respect the conduct of their business in the manner currently operated.

4.17 Condemnation; Assessments; Defects. Random has not received any notice of any condemnation action or special assessment being contemplated with respect to its premises or any of its properties or any notice from any governmental authority or insurance company of any defect or inadequacy in these premises or properties or any part thereof.

4.18 Compliance with Law. To the best knowledge of Random, Random is in compliance, in all material respects, with all applicable laws, rules, regulations or requirements of any governmental authority, federal, state or local, relating to its business, including, without limitation, the impact of its business upon the environment, and the continued operation of its business in the manner heretofore conducted will not violate, in any material respect, any existing statute, rule, regulation or order, federal, state or local. Neither Random nor its officers, directors or representatives has received notice of any violation with respect to their business and operations.

4.19 Taxes. To the best knowledge of Random:

(a) Random has filed with the appropriate federal, state and local governmental authorities all tax returns required to be filed with respect to its business and properties and has paid all assessments shown to be due and claimed to be due on all such tax returns.

(b) There are no additional assessments due or claimed to be due with respect to such filed returns.

(c) Except as disclosed in Schedule 4.19, Random has not executed or filed any agreement extending the period for assessment or collection of any tax nor is Random a party to any action or proceeding by any governmental authority for the assessment or collection of taxes.

(d) All returns filed by Random constitute complete and accurate representations of the tax liabilities for such years and accurately set forth all items (to the extent required to be included or reflected in such returns) relevant to the future tax liabilities, including the tax bases of the properties and assets;

(e) The financial statements of Random fairly present the charges, accruals, and reserves for taxes of Random and Retail for all taxes payable by Random for any period prior to the Closing for which no return has yet been filed;

(f) No examination of the tax returns of Random is currently in progress nor, to the best knowledge of Random, is any such examination threatened; and

(g) None of the returns of either Random has been reviewed or audited by applicable federal, state, local, and foreign taxing authorities and none of the returns have received clearances or other indications of approval from applicable federal, state, local, and foreign taxing authorities. To the best knowledge of Random, no issue or issues have been raised in connection with any prior or pending review or audit of said federal, state, local, or foreign returns which Random reasonably believes may be expected to be raised in the future by such taxing authorities in connection with the audit or review of the returns of Random.

For purposes of this Section the term "tax" (and with corresponding meanings "taxes" and "taxable") shall include without limitation all federal, provincial, state, local and foreign net income, profits, alternative add-on minimum tax, gross income, value added, franchise, gross receipts, sales, use, ad valorem, occupation, license, excise, payoff, stamp, premium, withholding, real and personal property, and other taxes, and related or similar governmental charges, tariffs, customs duties, assessments, together with any interest, fines, and penalties or addition to tax imposed with respect to the foregoing.

4.20 Insurance. Random's assets, property and business are covered by insurance policies of the types customarily carried by businesses such as that of Random, which policies are in full force and effect with all premiums due thereon covering all periods up to and including the Closing paid or accrued. Such policies are adequate in amount, scope and coverage to protect Random against any material loss of assets or property or any interruption in its operations customarily insured against. Schedule 4.20 sets forth an accurate and complete list of each insurance policy owned or maintained by Random. Random has not received any notice of cancellation with respect to any such policy, no claims are pending under any such policy and, to the best knowledge of Random, there is no basis for any insurer thereunder to terminate any such policy.

4.21 Books of Account and Records. Random's books of account fairly reflect its income, expenses, assets and liabilities and have been maintained in accordance with sound business practices. The customer and supplier records of Random are in all respects complete and correct and have been maintained in accordance with sound business practices and in conformity with all applicable government laws, rules and regulations.

4.22 Undisclosed Liabilities. Except as set forth in Schedule 4.22, to the best knowledge of Random, Random has no material liabilities of any nature except to the extent reflected, or reserved against, in Random's Latest Balance Sheet, whether accrued, absolute, contingent, or otherwise, including, without limitation, tax liabilities and interest due or to become due.

4.23 Absence of Certain Changes. Except as contemplated by this Agreement or disclosed in Schedule 4.23, since August 31, 1991, Random has not done or allowed to occur any of the following:

(a) operated its business or dealt with its assets and property other than in the ordinary course;

(b) cancelled or compromised any debt or claim other than immaterial adjustments in the ordinary course of business;

(c) released, transferred or granted any rights;

(d) suffered any material adverse change in its financial condition, properties or business or obtained knowledge of any present or future business condition which could materially adversely affect any of its assets, properties or business, or which could prevent it from carrying on its business in substantially the same manner as that in which it is being conducted;

(e) suffered any material damage, destruction, or loss of or to its property, whether or not covered by insurance;

(f) declared or paid any dividend or other distribution in respect to Random's capital stock or any direct or indirect redemption, purchase, or other acquisition of any such stock;

(g) made, amended or cancelled any contract, agreement, lease, order or other commitment (other than sales or purchase orders in the ordinary course of business) or, except to the extent waived by the other party thereto, failed to keep any of them in full force and effect or to perform any of its obligations thereunder;

(h) increased the salary or wages of any director or officer;

(i) incurred any liabilities or obligations, whether absolute or contingent, accrued or otherwise, other than ordinary operating expenses which in the aggregate do not materially adversely affect its business or financial condition;

(j) entered into any transaction, done any act or thing or suffered any act or thing to be done which would result in any representation or warranty of CWE contained in this Agreement becoming untrue immediately after the consummation of such transaction; or

(k) pledged or subjected to lien or to any other charge or encumbrance any of its assets or properties other than in the ordinary course of business.

4.24 Access to Records. From the date of this Agreement to the Closing, Random will (1) give to CWE and its representatives full access during normal business hours to all of the offices, books, records, contracts, and other corporate documents and properties of Random so that CWE may inspect them, and (2) to furnish such information concerning those properties and affairs as CWE may reasonably request.

4.25 Real Property and Leaseholds. Random does not own any real property. Schedule 4.15 attached hereto contains a description of each lease of real property under which Random is a lessee, lessor, sublessee, or sublessor.

4.26 Indebtedness to and from Officers, Directors, and Shareholders. Except as set forth in Schedule 4.26, Random is not indebted, directly or indirectly, to any person who is an officer, director, or shareholder of Random or any affiliate of any such person in any amount whatsoever, other than for salaries for services rendered or reimbursable business expenses, nor is any such officer, director, shareholder, or affiliate indebted to Random except for advances made by Random to employees of Random in the ordinary course of business.

4.27 Authority. Random has full corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, and will deliver to CWE at the Closing a certified copy of Resolutions of their Boards of Directors authorizing execution of this Agreement by its officers and performance thereunder, and approval of the Merger by Random. Execution of this Agreement and performance by Random hereunder has been duly authorized by all requisite corporate action on the part of Random, and this Agreement constitutes a valid and binding obligation of Random and performance hereunder will not violate any provision of Random's Articles of Incorporation, Bylaws, agreements, mortgages, or other commitments except that (i) the enforcement of certain rights and remedies created by this Agreement is subject to bankruptcy, insolvency, reorganization and similar laws of general application affecting the rights and remedies of parties, (ii) the enforceability of any particular provision of this Agreement under principles of equity or the availability of equitable remedies, such as specific performance, injunctive relief, waiver or other equitable remedies, is subject to the discretion of courts of competent jurisdiction, and (iii) any court or administrative body may refuse to enforce the choice of law provisions of Section 10.7 of this Agreement.

4.28 Disclosure. To the best knowledge of Random, no representation or warranty by Random contained in this Agreement or in any document, statement, or certificate furnished, or to be furnished, to CWE pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain an untrue statement of a material fact or omits or will omit to state a material fact required to be stated or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they were or are made, not false or misleading.

4.29 Filings with the Securities and Exchange Commission. To the best knowledge of Random, Random has made all filings with the Securities and Exchange Commission ("SEC") that it has been required to make under the Securities Act of 1933 and the Securities Exchange Act of 1934 (collectively the "Public Reports"). Each of the Public Reports has complied with the Securities Act of 1933 and the Securities Exchange Act of 1934 in all material respects. None of the Public Reports as of their respective dates, contain any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4.30 Filing of Registration Statement with the SEC. As soon as practicable, Random, with the assistance and cooperation of CWE, shall prepare and file a Registration Statement with the SEC covering the Random Stock to be issued to the CWE shareholders as provided in this Agreement. Random shall use its best effort to cause the Registration Statement to become effective as soon as possible. Thereafter, Random shall utilize its best effort through the most efficient and cost-effective means it deems available to enable it to issue registered shares of Random Stock to the former CWE shareholders on the Second Closing Date and Third Closing Date.

Section 5. Conduct of CWE Pending the Closing

5.1 CWE agrees that CWE and CW will conduct themselves in the following manner pending the Closing:

Except for the transactions provided for in this Agreement, each of CWE and CW shall carry on its business and activities, diligently and in substantially the same manner as they previously have been carried on, and, without the written consent of Random, shall not institute or use any methods of purchase, sale, lease, management, accounting or operation that are inconsistent with practices normally followed by CWE or CW or that vary substantially from those methods used by CWE or CW as of the date of this Agreement.

From the date of this Agreement to the Closing, each of CWE and CW will not do or otherwise allow to occur or exist any of the following except as otherwise expressly contemplated by this Agreement or unless Random gives its prior written approval: (i) amend or otherwise change its Articles of Incorporation or Bylaws; (ii) issue or sell or authorize for issuance or sale additional shares of any class of capital stock, or subscriptions, options (including employee stock options), warrants, rights or convertible securities or other agreements obligating CWE or CW to issue shares of its capital stock; (iii) declare, set aside, make or pay any dividend or other distribution with respect to its capital stock; (iv) redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock; (v) issue any instrument which permits participation in the revenues or profits of CWE or CW except in the ordinary course of its business; (vi) incur any indebtedness except in the ordinary course of CWE's or CW's business; (vii) permit the sale or encumbrance of any material part of the assets of CWE or CW except for sales and encumbrances in the ordinary course of CWE's or CW's business; (viii) enter into any employment or severance agreements or similar agreements with any person; or (ix) agree to make, engage in or allow to occur or continue any of the following:

(a) Any material transaction except a transaction that is undertaken in the ordinary course of business as conducted in the same manner as business was conducted on June 30, 1991;

(b) Any capital expenditure exceeding $50,000;

(c) Any change in accounting methods or practices (including, without limitation, any change in depreciation or amortization policies or rates);

(d) Any increase in the salary or other compensation payable or to become payable to any of its officers or directors, or the declaration, payment, or commitment or obligation of any kind for the payment of a bonus or other additional salary or compensation to any such person;

(e) The material amendment or termination of any material contract, agreement, or license to which it is a party, except in the ordinary course of business;

(f) Any loan to any person or entity, or the guaranteeing of any loan, except in the ordinary course of business;

(g) Any mortgage, pledge or other encumbrance of any of its assets except in the ordinary course of business; or

(h) The waiver or release of any right or claim, except in the ordinary course of business.

CWE shall use its best efforts to preserve CW's business organization intact, to keep CW's present officers and employees available to it, and to preserve CW's present relationships with suppliers, customers and others having business relationships with CW.

5.2 No Shopping. Until the consummation of the transactions contemplated by this Agreement or the termination of this Agreement, neither CWE or CW or any of their authorized representatives will take any action to communicate, solicit, or encourage (including furnishing any non-public information concerning CW's business, properties, or assets) or participate in any discussion or negotiations with regard to any Acquisition Proposal (as defined below). If an Acquisition Proposal is received by CWE or CWE is aware of any person that has indicated that it may be considering making an Acquisition Proposal, CW will promptly notify Random of that fact. As used herein, "Acquisition Proposal" means any proposal or offer for a merger or other business combination involving CW or for the acquisition of a substantial equity interest in, or substantial portion of the assets or the capital stock of, CW (other than the transactions contemplated by this Agreement).

Section 6. Conduct of Random

6.1 Random agrees that it will conduct itself in the following manner pending the Closing:

Except for the transactions provided for in this Agreement, Random shall carry on its business and activities, diligently and in substantially the same manner as they previously have been carried on, and, without the written consent of CWE, shall not institute or use any methods of purchase, sale, lease, management, accounting or operation that are inconsistent with practices normally followed by Random or that vary substantially from those methods used by Random as of the date of this Agreement.

From the date of this Agreement to the Closing, Random will not do or otherwise allow to occur or exist any of the following except as otherwise expressly contemplated by this Agreement or unless CWE gives its prior written approval: (i) amend or otherwise change its Articles of Incorporation or Bylaws; (ii) issue or sell or authorize for issuance or sale additional shares of any class of capital stock, or subscriptions, options (including employee stock options), warrants, rights or convertible securities or other agreements obligating Random to issue shares of its capital stock; (iii) declare, set aside, make or pay any dividend or other distribution with respect to its capital stock; (iv) redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock; (v) issue any instrument which permits participation in the revenues or profits of Random except in the ordinary course of its business; (vi) incur any indebtedness except in the ordinary course of Random's business; (vii) permit the sale or encumbrance of any material part of the assets of Random except for sales and encumbrances in the ordinary course of Random's business; (viii) enter into any employment or severance agreements or similar agreements with any person; or (ix) agree to make, engage in or allow to occur or continue any of the following:

(a) Any material transaction except a transaction that is undertaken in the ordinary course of business as conducted in the same manner as business was conducted on August 31, 1991;

(b) Any capital expenditure exceeding $50,000;

(c) Any change in accounting methods or practices (including, without limitation, any change in depreciation or amortization policies or rates);

(d) Any increase in the salary or other compensation payable or to become payable to any of its officers or directors, or the declaration, payment, or commitment or obligation of any kind for the payment of a bonus or other additional salary or compensation to any such person;

(e) The material amendment or termination of any material contract, agreement, or license to which it is a party, except in the ordinary course of business;

(f) Any loan to any person or entity, or the guaranteeing of any loan, except in the ordinary course of business;

(g) Any mortgage, pledge or other encumbrance of any of its assets except in the ordinary course of business; or

(h) The waiver or release of any right or claim, except in the ordinary course of business.

Random shall use its best efforts to preserve its business organization intact, to keep its present officers and employees available to it, and to preserve its present relationships with suppliers, customers and others having business relationships with Random.

6.2 No Shopping. Until the consummation of the transactions contemplated by this Agreement or the termination of this Agreement, neither Random nor any of its authorized representatives will take any action to communicate, solicit, or encourage (including furnishing any non-public information concerning Random's business, properties, or assets) or participate in any discussion or negotiations with regard to any Acquisition Proposal (as defined below). If an Acquisition Proposal is received by Random or Random is aware of any person that has indicated that it may be considering making an Acquisition Proposal, Random will promptly notify CWE of that fact. As used herein, "Acquisition Proposal" means any proposal or offer for a merger or other business combination involving Random or for the acquisition of a substantial equity interest in, or substantial portion of the assets or the capital stock of, Random (other than the transactions contemplated by this Agreement).

Section 7. Conditions Precedent - CWE

All obligations of CWE under this Agreement are subject, at CWE's option, to the fulfillment, before or at the Closing, of each of the following conditions:

7.1 Representations and Warranties True at Closing. The representations and warranties of Random contained in this Agreement shall be deemed to have been made again at and as of the Closing and shall then be true in all material respects, and Random shall not have suffered any material loss from the date of Random's Latest Balance Sheet.

7.2 Due Performance. Random shall have performed and complied with all the terms and conditions required by this Agreement to be performed or complied with by them before the Closing.

7.3 Officer's Certificate. CWE shall have been furnished with certificates signed by the president and secretary of Random, dated as of the Closing certifying (1) as to the matters set forth above in Sections 7.1 and 7.2, and (2) that since August 31, 1991, there has been no material adverse change in the financial condition, business, or properties of Random.

7.4 Opinion of Counsel. Random shall have delivered to CWE an opinion of Bradley A. Cromer, P.C., dated as of the Closing, with respect to the consummation of the transactions contemplated by this Agreement in substantially the form attached as Schedule 7.4.

7.5 Books and Records. Random shall have made available to CWE all books and records of Random, including minute books and stock transfer records.

7.6 Absence of Litigation. No litigation, proceeding, governmental investigation, or governmental inquiry shall be pending or threatened at the Closing in which it is sought or threatened to restrain, enjoin, restrict, limit, or prohibit (or to obtain substantial damages as a result of) the consummation of the transactions contemplated by this Agreement, and Random shall have delivered to CWE certificates signed by the president and secretary of Random, dated the Closing Date, confirming such fact to the best of their knowledge.

7.7 Proceedings and Documentation. All corporate and other proceedings required to carry out the transactions contemplated by this Agreement and all instruments and other documents relating to such transaction shall be reasonably satisfactory in form and substance to Bearman & Talesnick Professional Corporation, and CWE shall have been furnished with such other instruments and documents as such counsel for CWE shall have reasonably requested.

7.8 Registration Statement and Shareholder Approval. The Registration Statement registering the Random shares to be issued to the former CWE shareholders as provided in Section 1. shall have been declared effective by the SEC, and the prospectus portion of such Registration Statement shall have been duly delivered to the CWE shareholders in accordance with the rules and regulations of the SEC and the provisions of the Colorado Corporation Code. The shareholders of CWE shall have approved the Merger in accordance with the provisions of the Colorado Corporation Code.

7.9 Employment Agreements. CW shall have entered into an employment agreement with Gregory E. Kinnear. The obligations of CW shall have been guaranteed by Random in such employment agreement.

Section 8. Conditions Precedent - Random

All obligations of Random under this Agreement are subject, at the option of Random, to the fulfillment, before or at the Closing, of each of the following conditions:

8.1 Representations and Warranties True at Closing. CWE's representations and warranties contained in this Agreement shall be deemed to have been made again at and as of the Closing and shall then be true in all material respects, and CWE shall not have suffered any material loss from the date of CWE's Latest Balance Sheet.

8.2 Due Performance. CWE shall have performed and complied with all the terms and conditions required by this Agreement to be performed or complied with by it before the Closing.

8.3 Officer's Certificate. Random shall have been furnished with a certificate signed by the president and secretary of CWE, dated as of the Closing certifying (1) as to the matters set forth above in Sections 8.1 and 8.2, and (2) that since September 30, 1991, there has been no material adverse change in the financial condition, business, or properties of CWE.

8.4 Opinion of CWE's Counsel. Random shall have received an opinion of CWE's counsel, Bearman & Talesnick Professional Corporation, dated as of the Closing, with respect to the consummation of the transactions contemplated by this Agreement in substantially the form attached as Schedule 8.4.

8.5 Books and Records. CWE shall have made available to Random all books and records of CWE and CW, including minute books and stock transfer records.

8.6 Absence of Litigation. No litigation, proceeding, governmental investigation, or governmental inquiry shall be pending or threatened at the Closing Date in which it is sought or threatened to restrain, enjoin, restrict, limit, or prohibit (or to obtain substantial damages as a result of) the consummation of the transactions contemplated by this Agreement, and CWE shall have delivered to Random a certificate signed by the president and secretary of CWE, dated the Closing Date, confirming such fact to the best of their knowledge.

8.7 Proceedings and Documentation. All corporate and other proceedings required to carry out the transactions contemplated by this Agreement and all instruments and other documents relating to such transactions shall be reasonably satisfactory in form and substance to Bradley A. Cromer, P.C., and Random shall have been furnished with such other instruments and documents as such counsel for Random shall have reasonably requested.

8.8 Consents of CW Lenders. CW and CWE shall have obtained consents from those creditors of CW and CWE from whom CW and CWE is obligated to obtain their consent for the transactions contemplated by this Agreement.

8.9 Employment Agreements. CW shall have entered into an employment agreement with Gregory E. Kinnear.

8.10 Registration Statement and Shareholder Approval. The Registration Statement registering the Random shares to be issued to the former CWE shareholders as provided in Section 1 shall have been declared effective by the SEC, and the Prospectus portion of such Registration Statement shall have been duly delivered to the CWE shareholders in accordance with the rules and regulations of the SEC and the provisions of the Colorado Corporation Code. The shareholders of CWE shall have approved the Merger in accordance with the provisions of the Colorado Corporation Code.

8.11 Share Sale Agreements. Kenneth S. Kinkel and Adele M. Kinkel, principal shareholders of CWE, shall have entered into Share Sale Agreements in substantially the form attached as Schedule 8.11. Kenneth S. Kinkel and Adele M. Kinkel shall agree to vote their shares of CWE Stock in favor of the Random Merger at any CWE meeting of shareholders convened for that purpose.

8.12 Conversion of CWE Preferred Stock. All outstanding preferred stock of CWE shall be converted into shares of common stock of CWE prior to or simultaneous with the Effective Date.

8.13 Non-Compete Agreement. Kenneth S. Kinkel and Adele M. Kinkel shall have entered into a non-compete agreement with Random as set forth in Schedule 8.13 to this Agreement.

Section 9. Termination

This Agreement may be terminated prior to the Closing (1) by mutual consent in writing, (2) by Random if there has been a material misrepresentation or material breach of any representation, warranty, or covenant by CWE, or (3) by CWE if there has been a material misrepresentation or material breach of any representation, warranty or covenant by Random.

Section 10. General Provisions

10.1 Further Assurances. At any time, and from time to time, after the Closing, each Party will execute such additional instruments and take such action as may reasonably be required to evidence or effectuate the transactions contemplated by this Agreement or for the performance by any Party of any of their other respective obligations under this Agreement.

10.2 Amendment; Waiver. Except as otherwise expressly provided herein, this Agreement may be amended, modified, superseded, or cancelled, and any of the terms, representations, warranties, covenants or conditions hereto may be waived, only by a written instrument executed by the Parties hereto or, in the case of a waiver, by the Party hereto waiving compliance.

10.3 Brokers. Set forth in Schedule 11.3 is a description of all arrangements regarding brokers and finders.

10.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, as follows:

(a) if to CWE or CW to:

Gregory E. Kinnear
c/o C W Electronics Sales Corp.
789 Sherman Street, Suite 600
Denver, Colorado 80203

with a copy (which shall not constitute notice) to:

Robert M. Bearman, Esq.
Bearman Talesnick & Clowdus
Professional Corporation
1200 17th Street, Suite 2600
Denver, Colorado 80202

(b) if to Random to:

Bruce A. Milliken
Random Access, Inc.
2370 S. Trenton Way
Denver, Colorado 80231

with a copy (which shall not constitute notice) to:

Bradley A. Cromer, P.C.
7345 East Peakview Avenue
Englewood, Colorado 80111

or to such other person or address as any Party hereto shall have specified by notice in writing to the other Parties hereto.

10.5 Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes and cancels any other agreement, representation, or communication, whether oral or written, between the Parties hereto relating to the transactions contemplated herein or the subject matter hereof. No representation, promise, or statement of intention has been made by any Party hereto which is not embodied in this Agreement or the written statements, certificates, exhibits, or other documents delivered pursuant hereto or in connection with the transactions contemplated hereby, and no Party hereto shall be bound by or liable for any alleged representation, promise, or statement of intention not set forth herein or therein.

10.6 Headings. The section and subsection headings in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.7 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado.

10.8 Arbitration. Any controversy or claim arising out of, or relating to, this Agreement, or the making, performance, or interpretation hereof, shall be settled by arbitration in Denver, Colorado, in accordance with the Rules of the American Arbitration Association then existing, and judgment on the arbitration award may be entered in any court having jurisdiction over the subject matter of the controversy.

10.9 Expenses. Each of the Parties hereto shall be responsible for the fees and expenses of its counsel, accountants, and other experts and all other expenses incurred by it in connection with the preparation for, entering into, and consummation of the transactions contemplated by this Agreement and all other matters incident thereto.

10.10 Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision contained herein.

10.11 Assignment. This Agreement shall inure to the benefit of, and be binding upon, the Parties hereto and their successors and assigns; provided, however, that any assignment by any Party of its rights under this Agreement without the written consent of the other Parties shall be void.

10.12 Counterparts. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.13 Assignment of CWE Revenues and Expenses. Because Random and CWE had reached agreement with regard to all principal terms by December 1, 1991, the parties hereto agree that upon the Effective Time the consolidated revenues and expenses of CWE subsequent to November 30, 1991 shall be assigned to Random.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement effective as of the date first above written.

RANDOM ACCESS, INC.

By: ______________________
Bruce A. Milliken, President

ATTEST:

____
Patrick G. Smith, Secretary

CWE, INC.

By: ______________________
Gregory E. Kinnear, President

ATTEST:

____
Kenneth S. Kinkel, Secretary

CW ELECTRONICS SALES CORP.
(As to Section 1.9 only)

By: ______________________
Gregory E. Kinnear, President

ATTEST:

____
Kenneth S. Kinkel, Secretary

As to Sections 8.11 and 8.13 only:

____
Kenneth S. Kinkel

____
Adele M. Kinkel

CNTR3:

List of Schedules
to
Agreement and Plan of Reorganization

Schedules

Description	Schedule
Directors and Officers of Random	1.4
Conversion Ratio calculation	1.6
Exceptions to franchise, permits and authorizations necessary to carry on business	3.1 and 4.1
Agreements to acquire stock	4.2
Subsidiaries and Affiliates	3.3 and 4.3
Financial Statements	3.4 and 4.4
Liens and Encumbrances	3.6 and 4.6
Condition of assets	3.7 and 4.7
Product warranties	3.9 and 4.9
Consents	3.12 and 4.12
Intangible rights used	3.13 and 4.13
Claims to intangible rights	3.13(a) and 4.13(a)
Employee Benefit Plans	3.14 and 4.14
Contracts	3.15 and 4.15
Actions or claims	3.16 and 4.16
Taxes	3.19 and 4.19
Insurance Policies	3.20 and 4.20
Unreserved liabilities	3.22 and 4.22
Changes	3.23 and 4.23

Indebtedness to and from Officers, Directors, and Shareholders	3.26 and 4.26
Opinions of counsel	7.4 and 8.4
Share Sale Agreements	8.11
Non-Compete Agreement	8.13
Brokers and Finders	10.3

Schedule 1.4

Officers and Directors of Random Access, Inc. as of the Effective Date are as follows:

Name	Title
Bruce A. Milliken	Chief Executive Officer, President and Director
John Gierscher	Chief Financial Officer, Treasurer and Director
Patrick G. Smith	Secretary, Vice President, and Director
Stephen B. Carlson	Director

SCHEDULE 1.6
conversion ratio calculation

The initial conversion of CWE common stock shall be made using the following formula.

Net tangible worth of CWE as of June 30, 1991 times two shall equal the initial value of CWE.

The initial value of CWE shall be divided by the total number of outstanding shares of CWE common stock at closing. This will determine the initial value per share of CWE common stock.

The value of Random Access stock shall be determined by taking an average of the closing bid price of Random Access stock as reported by NASDAQ for August 22, August 23 and August 26, 1991 and the three trading days prior to closing.

The value of a share of CWE stock shall be divided by the value of a share of Random stock to determine the conversion ratio. This ratio shall determine the amount of Random stock that each share of CWE will receive.

SCHEDULE 3.1

(Exceptions to franchise, permits and authorizations necessary to carry on CWE's and CW's business)

None known.

SCHEDULE 3.3

(Subsidiaries and Affiliates of CWE and CW)

CWE
CWE, Inc. owns 100% of the outstanding voting stock of CW Electronics Sales Corp.

CW
None known.

SCHEDULE 3.6

(Exceptions to liens against CWE's and CW's assets other than liens for current year's taxes not yet due and liens securing liabilities shown on CWE's latest balance sheet)

None known.

SCHEDULE 3.7

(Exceptions to assets on the balance sheet
in good operating condition and suitable for continued use)

None known.

SCHEDULE 3.9

(Exceptions to significant design, manufacturing, or other defect in the products CW has sold)

None known.

SCHEDULE 3.12

(Exceptions to government or third party required to approve this transaction)

No government authorities are required to approve this transaction for CWE or CW.

The third parties required to approve this transaction are:

Mercantile Business Credit Inc.

SCHEDULE 3.13

(List of significant intangible rights used by CWE, Inc.)

Connecting Point of America franchise
Apple Computer reseller authorization
Compaq Computer reseller authorization
IBM Corp Retail authorization
Hewlett Packard reseller authorization
NEC Computer reseller authorization
US West cellular agent
Microsoft Software Business Partner
Novell Gold reseller authorization
Microsoft Lan Manager authorized reseller
SONY authorized reseller
Epson Computer reseller authorization
Service Authorizations with:
  Apple Computers
  Compaq Computers
  Epson Computers
  NEC Computers
  Hewlett Packard
  Hyundai
  Toshiba
  Radius

SCHEDULE 3.14

(Listing of all retirement and health insurance plans
for the employees of CW)

(CWE, Inc. has no employees.)

CW Electronics Savings Plan
- a. 401(k) plan administered by The Principal Financial Group
- b. Effective January 1, 1991

Master Group Contract: Lincoln National Health Plan of Colorado
- a. Group No.: G45331
- b. Effective January 1, 1991 through December 31, 1991

SCHEDULE 3.15

(Listing of all contracts, agreements, leases and commitments. other than sales orders or purchase orders entered into in the normal course of CWE's and CW's business)

- **Lease for 800 Lincoln St., Denver, Co.**
- **Lease for 789 Sherman St., Denver, Co. (month to month)**
- **Lease for 560 Raritan Way, Denver, Co.**
- **Franchise agreement with Intelligent Electronics / Connecting Point**
- **Reseller contracts with:**
    - Apple Computer
    - IBM Corp
    - Compaq Computer
    - Hewlett Packard
    - NEC
    - SONY
    - Microsoft
    - Novell
    - Epson Corp.
- Financing Agreements with:
    - Mercantile Business Credit Inc.
    - ITT Commercial Credit
- Purchase Agreement with CW Electronics Sales Co. and preferred stock agreement
- Non-Compete agreement with Ham Radio Outlet
- Extended Warranty agreement with IDS
- Three officers initial offering letters of employment (various dates)

SCHEDULE 3.19

(Listing of agreements extending statute of limitations on tax returns)

None known.

SCHEDULE 3.20

(Listing of all insurance policies owned
or maintained by CW)

Crum Forester Insurance Company (Agent: Van Gilder, Inc.)
a. General liability
b. Automobile liability
c. Excess liability
d. Employers' liability
e. Property (store, warehouse and corporate offices)

State Compensation Insurance Authority (Agent: Van Gilder, Inc.)
a. Workers' compensation

Financial Insurance Services Corporation
a. Cargo transit insurance (incoming and outgoing)

Master Group Contract: Lincoln National Health Plan of Colorado
a. Employee health insurance plan

SCHEDULE 3.22

(Undisclosed liabilities)

None known that have not been disclosed or accrued in CWE's latest balance sheet.

SCHEDULE 3.23

(Known exceptions to Section 3.23)

Cancelled corporate office lease at 789 Sherman Street, Sutie 600 pursuant to lease terms. Office space now being rented on a month-to-month basis. Landlord has not yet determined the exact monthly rent to be charged on an ongoing basis.

SCHEDULE 3.26

(Indebtedness to/from officers, directors and shareholders)

Indebtedness to officers, directors and shareholders:

Directors' Stock Bonus Plan shares have not been issued. Accrued as of September 30, 1991	$4,429.00
Preferred stock dividends accrued as of September 30, 1991	3,750.00

Indebtedness from officers, directors and shareholders:

None

Schedule 4.1

Exceptions to franchise, permits and authorizations necessary to carry on business

No exceptions.

Schedule 4.2
Agreements to acquire stock

Random Access, Inc. has adopted, and the stockholders have approved, an Incentive Stock Option Plan (the "Option Plan") which provides for the grant of options for up to an aggregate of 500,000 shares of common stock. The purpose of the Option Plan is to make options available to certain employees of Random Access, Inc. in order to provide them with a more direct stake in the future of Random Access, Inc. and to encourage them to remain with Random Access, Inc. The Option Plan provides for the granting to management and employees of "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code.

Random Access, Inc. has also adopted a Non-Qualified Stock Option Plan (the "Non-Qualified Plan") which provides for the grant of options for up to an aggregate of 500,000 shares of common stock. The purpose of the Non-Qualified Plan is to provide certain key employees of Random Access, Inc. with options in order to provide additional rewards and incentives for contributing to the success of Random Access, Inc. These options are not incentive stock options within the meaning of Section 422A of the Internal Revenue Code.

The Option Plan and Non-Qualified Plan (the "Plans") are administered by the Board of Directors or by a committee (the "Committee") appointed by the Board of Directors which determines the persons to be granted options under the Plans and the number of shares subject to each option. No options granted under the Plans are transferable by the optionee other than by will or the laws of descent and distribution and each option is exercisable, during the lifetime of the optionee, only by such optionee. Any options granted to an employee will terminate upon his or her ceasing to be an employee, except in limited circumstances, including death of the employee, and where the Board of Directors or Committee deems it in Random Access, Inc.'s best interests not to terminate the options.

The exercise price of all options granted under the Option Plan or the Non-Qualified Plan must be no less than the fair market value of such shares on the date of grant as determined by the Board of Directors or the Committee based on guidelines set forth in the Plans. With respect to any incentive stock option granted pursuant to the Option Plan to a participant who owns more than 10% of the voting rights of Random Access, Inc.'s outstanding capital stock on the date of grant, the exercise price of the option must be at least equal to 110% of fair market value on the date of grant.

On September 10, 1990 the Board of Directors granted incentive stock options for the purchase of 25,000 shares of common stock to each of the following employees: Patrick Smith, Jim DeFoe, John Gierscher, Marc Allan, Virginia Livingston, Bruce Milliken and Mike Dobson. The options are exercisable at a price of $1.32 per share except for the options issued to Mr. Milliken, which are exercisable at a price of $1.45 per share. The above options are exercisable to purchase an aggregate of 175,000 shares of Random Access, Inc.'s common stock and expire on September 10, 1994.

On December 19, 1990 the Board of Directors granted incentive stock options for the purchase of the following number of shares of common stock to the employees listed below. The options are exercisable at a price of $1.125 per share, are exercisable to purchase an aggregate of 75,000 shares of the Company's common stock, and expire on December 19, 1994.

Employee	Incentive Stock Options
Patrick Smith	10,715
John Gierscher	10,715
Virginia Livingston	10,714
Dave Meyers	10,714
Marc Allan	10,714
Ted Burns	10,714
Mike Dobson	10,714
Total	75,000

Schedule 4.3
Subsidiaries and Affiliates

Network Access, Inc.
R.A. Holdings, Inc.

Schedule 4.6
Liens and Encumbrances

Random Access, Inc.'s available debt financing is provided by ITT Commercial Finance ("ITT"). Random Access, Inc. has a revolving line of credit with ITT which provides for maximum borrowings of $8,000,000 at August 31, 1991. The outstanding principal balance on the line of credit was $4,825,622 at August 31, 1991. Borrowings under the line of credit are secured by receivables, inventory and equipment. Interest accrues at the prime rate (9% at August 31, 1991) plus 1%, with interest payable monthly and principal due on demand. The line of credit provides for an additional fee of .1% for each advance on the line of credit.

ITT and IBM Credit Corporation also provide floorplan financing for Random Access, Inc.'s inventory purchases. Under these arrangements, Random Access, Inc. may borrow up to a maximum of $4,750,000 at August 31, 1991. Borrowings are secured by inventory. At August 31, 1991, aggregate borrowings were outstanding in the principal amount of $3,388,154. Such amounts do not bear interest for 30 days and thereafter interest accrues at the prime rate plus 1%. Interest is payable monthly and principal is due on demand.

Schedule 4.7
Condition of Assets

No exceptions.

Schedule 4.9
Product Warranties

No exceptions. The vendors of Random Access, Inc. would be the party primarily responsible for product warranties.

Schedule 4.12
Consents

ITT Commercial Credit Corp. will be required to approve the merger transaction contemplated by this Agreement.

Schedule 4.13 and 4.13(a)
Intangible rights used
Claims to intangible rights

	Nature of Intangible Right	Nature of Payments Required to Maintain Intangible Right
1)	Connecting Point of America franchises (held or application pending for the following locations: Denver - 2 locations, Phoenix, Seattle and Omaha)	Royalty payments on product purchases
2)	BizMart franchises (Denver - 4 locations, Phoenix - 2 locations, Dallas - 10 locations)	Royalty payments on product sales
3)	Various dealer authorizations relating to computer equipment, such as IBM, Apple, Compaq, Hewlett-Packard, NEC, etc.	N/A

Schedule 4.14
Employee Benefit Plans

(a) Insurance and Professional Dues. Random Access, Inc. pays 80% of the cost of officers' and full-time employees' group health and life insurance premiums and certain dues to professional organizations for the benefit of certain of its executive officers. Random Access, Inc. also pays the premiums for Mr. Milliken's life insurance policy, for which Random Access, Inc. is not the beneficiary, and the lease expenses for Mr. Milliken's car. The total cost of such premiums, dues and other employee expenses for the year ended August 31, 1991 did not exceed $15,000.

(b) Stock Option Plans. See Schedule 4.2.

(c) Profit Sharing Plan. During the fiscal year ended August 31, 1990, Random Access, Inc. established a profit sharing plan that covers all employees with six months or more of employment with Random Access, Inc. who elect to enter the plan. Employees may elect to contribute up to the maximum prescribed by federal income tax law. Random Access, Inc. contributes an amount equal to 40% of each employee's first 6% of salary contributed and 20% of any remaining employee contribution up to a maximum of 10% of the employee's salary. Random Access, Inc.'s total contribution pursuant to this plan for the year ended August 31, 1991, was $57,779.

Schedule 4.15
Contracts

Material Contracts, Agreements, Leases and Commitments

1) Agreements for Purchase of Hardware and Software with U S West Business Resources, Inc.

2) Agreement for Microcomputer Hardware Sales and Maintenance with U S West New Vector Group, Inc.

3) September 1991 lease of Denver, Colorado corporate facilities.

4) Loan agreement with Interpreter, Inc.

5) Agreements described in Schedule 4.13 and 4.13(a).

6) Agreements described in Schedule 4.6.

Schedule 4.19
Taxes

No exceptions.

Schedule 4.20
Insurance Policies

[John Gierscher to prepare a list of all Random Access, Inc.'s insurance policies]

Schedule 4.22
Unreserved liabilities

No exceptions.

Schedule 4.23
Changes

Since August 31, 1991 the following material changes have affected the operations and net worth of Random Access, Inc., each of which are more fully described in Random Access, Inc.'s annual report on Form 10-K for the year ended August 31, 1991:

1) Acquisition of BizMart franchises;
2) Loan to Interpreter, Inc.;
3) Acquisition of Grand Junction, Colorado computer retailer;
4) Execution of new building lease; and
5) Decline in operating income.

Schedule 4.26

Indebtedness to and from Officers Directors and Shareholders

Random Access, Inc. has become indebted to Bruce Milliken by virtue of Mr. Milliken's 50% interest in Total Access Limited Liability Company, the lessor of office facilities to Random Access, Inc. See the annual report on Form 10-K for the year ended August 31, 1991.

SCHEDULE 7.4
Opinion of Counsel

(To be supplied at Closing)

Schedule 8.4
Opinions of counsel

[To be supplied at closing.]

SCHEDULE 8.11
Kinkels' Share Sale Agreement

Ken and Adele Kinkel agree to the following restrictions to the sale of the Random Access common stock that they receive:

1) The Kinkels will sell no more than 30,000 shares in any single calendar month.

2) The Kinkels will sell no more than 5,000 shares in any single day.

3) Should the bid price of Random Access common stock be below $2 (as may be adjusted from time to time by stock dividends, stock splits or reorganizations), the above two restrictions shall be void. Should the stock price be less than $2, the Kinkels agree to offer their stock to Bruce Milliken or his assigns on a first right of refusal basis before selling such stock to any third party. Bruce Milliken or his assigns shall have two business days to agree to match any purchase offer, after receipt of written notice thereof, and an additional ten business days to complete such purchase from the Kinkels, prior to the Kinkels being allowed to sell or otherwise transfer their shares of Random common stock.

4) These restrictions shall remain effective through the later of February 28, 1994 or the Third Closing Date.

Schedule 8.13

NON-COMPETITION/NON-DISCLOSURE AGREEMENT

Kenneth S. Kinkel ("Kinkel") hereby represents that he is the Chairman, Chief Executive Officer and Secretary of CWE, Inc., a Colorado corporation, which is being acquired by Random Access, Inc. pursuant to an Agreement and Plan of Reorganization dated ______________, 19__ __ (the "Merger Agreement"). CWE, Inc. is the sole shareholder of CW Electronics Sales Corp., also a Colorado corporation. Kinkel hereby acknowledges that CW Electronics Sales Corp. and Random Access, Inc., (collectively referred to as the "Company"), are engaged in the business of distributing, marketing and selling computer hardware, software, peripherals and related products and that as a necessary consequence of such business the Company maintains secret and confidential information, including, but not limited to, scientific and technical information, design, process, procedure, formula, improvement, servicemark, trademark, tradename, confidential business and financial information, listing of names, addresses, and telephone numbers of customers, vendors and others, and other information relating to the Company's business which is secret and of value (hereinafter referred to as "Trade Secrets"); that during the course of Kinkel's involvement with CWE, Inc. and CW Electronics Sales Corp., such Trade Secrets have become known to Kinkel; and that full protection of the Company's business makes it essential that no person or entity appropriate for their own use, or disclose, such Trade Secrets. Kinkel acknowledges both that the competitive position of the Company is a valuable asset of the Company and that Kinkel is entirely capable of earning a living in other fields of endeavor.

Therefore, in fulfillment of the obligations of Kinkel and of CWE, Inc. as set forth in the Merger Agreement, including paragraph 8.13 thereto, and in consideration for certain shares of Random Access, Inc. common stock to be received by Kinkel pursuant to the Merger Agreement, Kinkel agrees as follows:

1. Prior to February 28, 1994, Kinkel will not disclose to anyone or use for Kinkel's own benefit, directly or indirectly, any of the Company's Trade Secrets, except as such disclosure or use may be authorized in writing by Random Access, Inc.

2. Prior to February 28, 1994, Kinkel will not, within the Counties of Denver, Arapahoe, Adams, Jefferson, Douglas, Boulder, Pitkin, Mesa and El Paso, Colorado, the County of Mariposa, Arizona, the County of Douglas, Nebraska, the County of King, Washington, within 20 miles of the city limits of Dallas, Texas, and within 20 miles of any facility operated by CW Electronics Sales Corp. or Random Access, Inc., directly or indirectly, own, manage, operate, control, be employed by, participate in, or be

connected in any manner with the ownership, management, operation or control of any businesses similar to the type of business conducted by CW Electronics Sales Corp. or Random Access, Inc. without the prior written permission of Random Access, Inc.

3. That for the purposes Colorado Revised Statutes 8-2-113(2)(a), the Merger Agreement constitutes a contract for the purchase and sale of a business or the assets of a business.

4. That a breach of the obligations imposed on me by this Agreement is not one which is capable of being easily measured by monetary damages, and consequently I specifically agree that this Agreement may be enforced by injunctive relief. Additionally, I specifically agree that, in addition to such injunctive relief, and not in lieu thereof, Random Access, Inc. may also bring suit for actual damages if such be incurred by it as a result of a breach of my obligations under this Agreement.

This Agreement replaces all previous agreements relating to the same or similar matters which Kinkel may have entered into with the Company. It shall inure to the benefit of the successors and assigns of the Company and shall be binding upon Kinkel's heirs, assigns, administrators and representatives. No oral agreement, statement, or representation shall alter the provisions of this Agreement.

The parties hereto agree, that in the event a court of competent jurisdiction determines the restrictions contained in this Agreement are too broad to be enforced, such court shall be permitted to modify the provisions contained herein to the extent necessary to permit their enforceability.

The parties hereto shall have all the rights and obligations provided in the Colorado Uniform Trade Secrets Act, Colorado Revised Statutes, Sections 7-74-101, et seq., as it may be amended from time to time. The parties hereto further agree that this Agreement is to be interpreted under the laws of the State of Colorado.

connected in any manner with the ownership, management, operation or control of any businesses similar to the type of business conducted by CW Electronics Sales Corp. or Random Access, Inc. without the prior written permission of Random Access, Inc.

3. That for the purposes Colorado Revised Statutes 8-2-113(2)(a), the Merger Agreement constitutes a contract for the purchase and sale of a business or the assets of a business.

4. That a breach of the obligations imposed on me by this Agreement is not one which is capable of being easily measured by monetary damages, and consequently I specifically agree that this Agreement may be enforced by injunctive relief. Additionally, I specifically agree that, in addition to such injunctive relief, and not in lieu thereof, Random Access, Inc. may also bring suit for actual damages if such be incurred by it as a result of a breach of my obligations under this Agreement.

This Agreement replaces all previous agreements relating to the same or similar matters which Kinkel may have entered into with the Company. It shall inure to the benefit of the successors and assigns of the Company and shall be binding upon Kinkel's heirs, assigns, administrators and representatives. No oral agreement, statement, or representation shall alter the provisions of this Agreement.

The parties hereto agree, that in the event a court of competent jurisdiction determines the restrictions contained in this Agreement are too broad to be enforced, such court shall be permitted to modify the provisions contained herein to the extent necessary to permit their enforceability.

The parties hereto shall have all the rights and obligations provided in the Colorado Uniform Trade Secrets Act, Colorado Revised Statutes, Sections 7-74-010, et seq., as it may be amended from time to time. The parties hereto further agree that this Agreement is to be interpreted under the laws of the State of Colorado.

Schedule 10.3
Brokers and Finders

Random Access, Inc. may compensate Cohig & Associates, Inc. with regard to their role in assisting with the transaction contemplated by this Agreement in an amount of up to approximately 25,000 shares of Random Access, Inc. common stock.

CXE may compensate Neidiger/Tucker/Bruner, Inc. with regard to their role in assisting with the transaction contemplated by this Agreement in an amount of up to $20,000.00.

Signed in Denver, Colorado this _____ day of _____________,
19____.

____
Kenneth S. Kinkel

CW Electronics Sales Corp.

By: ____________________________
Gregory L. Kinnear, ______

Random Access, Inc.

By: ____________________________
Bruce A. Milliman, President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992 COMMISSION FILE NUMBER 0-2610

ZIONS BANCORPORATION (UT)
(Exact name of Registrant as specified in its charter)

UTAH
(State or other jurisdiction
of incorporation or organization

87-0227400
(I.R.S. Employer
Identification No.

Y 7 1992
5/13

1380 KENNECOTT BUILDING
SALT LAKE CITY, UTAH
(Address of principal executive offices)

84133
(Zip Code)

Registrant's telephone number, including area code: (801) 524-4787

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirement for the past 90 days.

Yes_X_ No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, without par value, outstanding at May 4, 1992 6,118,265 shares

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ZIONS BANCORPORATION

FORM 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMPARATIVE CONSOLIDATED BALANCE SHEETS

Comparative Consolidated Balance Sheets dated March 31, 1992 and December 31, 1991 are included on pages 2 and 3 of the First Quarter Interim Report to Shareholders and are hereby incorporated by reference.

COMPARATIVE CONSOLIDATED STATEMENTS OF INCOME

Comparative Consolidated Statements of Income for the three months ended March 31, 1992 and 1991, are included on page 1 of the First Quarter Interim Report to Shareholders and are hereby incorporated by reference. The table "Financial Highlights" is included on the inside front cover page of the First Quarter Interim Report to Shareholders and is hereby incorporated by reference.

COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS

Comparative Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991, are included on page 4 of the First Quarter Interim Report to Shareholders and are hereby incorporated by reference.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The unaudited consolidated financial statements incorporated by reference above have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain amounts in the 1991 consolidated financial statements have been reclassified to conform to the 1992 presentation. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in Zions Bancorporation's annual report to shareholders on Form 10-K for the year ended December 31, 1991.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

Consolidated net income was $7,646,000 or $1.24 per share for the first quarter of 1992, compared to $6,792,000 or $1.13 per share for the first quarter of 1991, which constituted increases of 12.6% and 9.7%, respectively.

The improvement in first-quarter 1992 earnings compared to first-quarter 1991 resulted primarily from increased fee income, lower provision for loan losses, and lower income tax expense.

The annualized return on average assets for the first three months of 1992 was .90%, resulting in a return on average common shareholders' equity of 14.7%.

NET INTEREST INCOME AND INTEREST RATE SPREADS

Net interest income for the first quarter of 1992, adjusted to a fully taxable-equivalent basis, decreased .7% to $32,930,000 compared to $33,167,000 for the first quarter of 1991. Net interest margin was 4.18% compared to 4.32% for the first quarter of 1991.

The yield on average earning assets decreased 160 basis points, and the average rate paid this quarter on interest-bearing funds decreased 169 basis points from the first quarter of 1991. The spread on average interest-bearing funds for the first quarter of 1992 was 3.55%, up from the 3.46% for the first quarter of 1991.

The decrease in taxable-equivalent net interest income and the reduction in net interest margin resulted primarily from compressed interest rates.

PROVISION FOR LOAN LOSSES

The provision for loan losses decreased 42.0% to $3,945,000 for the first quarter of 1992, as compared with $6,805,000 for the first quarter of 1991. Net charge-offs for the quarter were $4,973,000 or .27% of average net loans and leases, compared to $5,974,000 or .34% of average loans and leases for the first quarter of 1991. The allowance for loan losses as a percentage of net loans and leases was 2.88% at March 31, 1992, compared to 2.98% at December 31, 1991 and 3.42% at March 31, 1991. The allowance, as a percentage of nonaccrual loans and accruing loans past due 90 days or more was 195.5% at March 31, 1992, compared to 173.5% at December 31, 1991 and 139.3% at March 31, 1991.

The Company's nonperforming assets, which include nonaccruing loans, restructured loans and other real estate owned, were $38,866,000 at March 31, 1992, down 11.0% from $43,692,000 at December 31, 1991, and down 37.3% from $61,996,000 at March 31, 1991. Such nonperforming assets as a percentage of net loans and leases and other real estate owned were 2.01%, 2.30% and 3.50% at March 31, 1992, December 31, 1991 and March 31, 1991, respectively.

OTHER OPERATING INCOME

Other operating income for the first quarter of 1992 totaled $17,772,000, an increase of 34.3% from the $13,233,000 for the first quarter of 1991. Comparing the segments of noninterest income for the first quarter of 1992 with the first quarter of 1991, all segments had good increases except for investment securities gains and trading account income, which decreased due to reduced sales volume. Service charges on deposit accounts, bankcard discounts and fees, other service charges, commissions and fees, and trust income had increases of 15.6%, 33.5%, 20.1% and 16.5%, respectively. Other income increased 157.5%, of which approximately 64% of the increase was interest received on federal income tax refunds.

OTHER OPERATING EXPENSES

Other operating expenses for the first quarter of 1992, totaling $35,622,000 increased 24.4% above $28,646,000 expenses incurred during the first quarter of 1991. Comparing the operating expense segments for the first quarter of 1992 and the first quarter of 1991, salaries and employee benefits increased 8.2%, occupancy, furniture and equipment expenses increased .8%, other real estate expense increased 103.2%, bankcard interchange discounts and fees increased 33.8%, legal and professional services increased 17.8%, FDIC premiums increased 23.4%, and amortization of intangible assets increased 31.2%. Other expenses increased 92.7%, of which approximately 38% of the increase were accruals for noncredit-related losses.

INCOME TAXES

The Company experienced an income tax expense of $2,685,000 for the first quarter of 1992, compared to $3,635,000 for the first quarter of 1991, a decrease of 26.1%. The decrease in income tax expense resulted primarily from an increase in tax-exempt interest and federal income tax refunds.

EARNING ASSETS

Average earning assets grew to $3,170.8 million in the three months ended March 31, 1992, compared to $3,115.1 million in the three months ended March 31, 1991. Earning assets comprised 92.6% of total average assets for the first three months of 1992, compared with 92.4% for the first three months of 1991.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements, and other money market investments, decreased 34.0% to $491.1 million compared to $743.7 million in the first three months of 1991.

During the first three months of 1992, average securities increased 31.9% to $803.3 million compared to $609.0 million in the first three months of 1991. Average taxable securities increased 23.1%, nontaxable securities increased 95.5%, and trading account securities increased 131.7% compared with the same period in 1991.

Average net loans and leases of $1,876.4 million for the first three months of 1992 increased 6.5% compared to the first three months of 1991. Average commercial loans, real estate loans, installment loans, and leases increased .3%, 6.2%, 5.0% and 6.6%, respectively, for the first three months of 1992, compared with the same period in 1991, while average loans held for sale increased 67.6%. Average accrued interest and other receivables decreased 25.0%.

DEPOSITS

During the first quarter of 1992, the Company's lead subsidiary, Zions First National Bank, acquired the deposits of Home Savings and Loan of Salt Lake City, Utah, from the Resolution Trust Corporation. The acquisition was not material.

Average total deposits of $2,621.8 million for the first three months of 1992 increased 7.3% over the first three months of 1991, with average demand deposits increasing 5.2%. Average money market deposits and foreign deposits increased 35.1% and 81.3%, respectively, during the first three months of 1992, compared with the same period one year earlier. Average savings deposits, time deposits under $100,000 and time deposits over $100,000 for the first three months of 1992 decreased 2.3%, 12.0% and 9.7%, respectively, from the first three months of 1991.

LIQUIDITY AND INTEREST RATE SENSITIVITY

Average net loans and leases were 71.6% of average total deposits for the three months ended March 31, 1992, compared to 72.1% for the three months ended March 31, 1991. The Company's cash money market securities and liquid investments, net of "purchased" liabilities and wholesale deposits, totaled $822.4 million or 32.9% of core deposits as of March 31, 1992.

The Company's core deposits, consisting of demand, savings and money market deposits and small certificates of deposits, constituted 93.7% of total deposits at March 31, 1992.

The Company manages its liquidity position in order to assure its ability to meet maturing obligations. Through an ongoing review of the Company's levels of interest-sensitive assets and liabilities, efforts are made to structure portfolios in such a way as to minimize the effects of fluctuating interest rate levels on net interest income.

CAPITAL RESOURCES AND DIVIDENDS

Total shareholders' equity at March 31, 1992 was $212.9 million, an increase of 3.0% over the $206.6 million at December 31, 1991, and an increase of 13.1% over the $188.2 million at March 31, 1991. The ratio of average equity to average assets for the first three months of 1992 was 6.13%, compared to 5.51% for the same period in 1991. At March 31, 1992, the Company's Tier I risk-based capital ratio was 8.94% and the total risk-based capital ratio was 12.68%, as computed under the guidelines effective 1992. The Company's leverage ratio as of March 31, 1992 was 5.79%.

Dividends declared per common share of $.36 for the first quarter of 1992 remained the same as for the first quarter of 1991. The common payout to net income applicable to common shares for the first three months of 1992 was 28.7%, compared to 31.8% for the first three months of 1991.

Zions's stock price increased in the first quarter of 1992 from the year-end price. The closing price recorded at March 31, 1992 was $49.00. This represents a 14.0% increase from the $43.00 price at December 31, 1991. At March 31, 1992, the book value of common stock was $34.91, indicating a trading price of 140% of book value.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibit Number

20. Zions Bancorporation Quarterly Report to Shareholders for the quarter ended March 31, 1992.

Zions Bancorporation will, upon the request of the Commission, furnish copies to the Commission of instruments with respect to long-term debt not being registered.

b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ending March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZIONS BANCORPORATION

Harris H. Simmons, President

Gary L. Anderson, Senior Vice President
and Chief Financial Officer

Dated: May 5, 1992

EXHIBIT 20

ZIONS
BANCORPORATION
MARCH
31, 1992
QUARTERLY REPORT

To Our Shareholders:

Zions Bancorporation achieved net income for the first quarter ended March 31, 1992 of $7,646,000, an increase of 13% over the $6,792,000 earned in the first quarter of 1991. The Company's earnings per share increased 10% to $1.24 as compared to $1.13 earned in the first quarter of 1991. Zions Bancorporation's return on average shareholders' equity was 14.7% for the first quarter of 1992, while the return on average assets was .90%.

We are very pleased with the trends in the Company's level of nonperforming assets which, as a percentage of net loans, leases and other real estate owned, were reduced to 2.01% at the end of the first quarter as compared to 2.30% at the end of 1991 and 3.50% one year ago. Similarly, delinquency ratios and other indicators of asset quality continue to show very favorable trends. The Company's reserve for loan losses has remained very strong at 198% of total nonperforming loans at the end of the first quarter. Additionally, the Company's average shareholders' equity as a percentage of assets strengthened to 6.13% in the first quarter of 1992 from 5.51% in the same quarter a year ago.

The earnings increase which the Company enjoyed during the first quarter was achieved as a result of the stronger levels of fee income and a lower provision for loan losses. Higher levels of municipal securities income also contributed to a lower effective tax rate for the Company. At the same time, the Company's net interest margin declined to 4.18% during the quarter as compared to 4.32% one year ago as a result of lower yields on the Company's portfolio of liquid money market assets. Earning asset growth has also been modest, as average earning assets during the first quarter of 1992 increased only 1.8% over the level achieved in the first quarter of 1991. Operating expense increases during the quarter were due in part to write downs on foreclosed real estate, higher FDIC premiums and accruals for noncredit related losses.

During the first quarter of 1992, the Company's lead subsidiary, Zions First National Bank, acquired the deposits of Home Savings and Loan of Salt Lake City from the Resolution Trust Corporation, and merged those deposits into one of the bank's existing branches. The acquisition was not material to the Company's quarterly operating results.

The economy in the Intermountain area has continued to expand despite a national recession. We are optimistic that results through the remainder of the year will reflect the relatively strong health and growth of the region's economy. We appreciate your continued support.

Respectfully,

Harris H. Simmons
President/Chief Executive Officer

Salt Lake City, Utah
April 15, 1992

FINANCIAL HIGHLIGHTS

(Dollars in thousands except for Share Data)

	Three Months		
For Periods Ended March 31	1992	1991	% Change
Net income applicable to common stock	$7,646	$6,792	13%
Per common share:			
Net income	$1.24	$1.13	10%
Cash dividends declared	$0.36	$0.36	0%
Three-Month Average Balances	**March 31, 1992**	**March 31, 1991**	**% Change**
Total assets	$3,423,620	$3,370,710	2%
Net loans and leases	$1,876,352	$1,762,398	6%
Total deposits	$2,621,782	$2,442,988	7%
Shareholders' equity	$ 209,754	$ 185,853	13%

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

(in thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Interest income:		
Interest and fees on loans	$37,988	$41,950
Interest on loans held for sale	2,993	2,236
Interest on money market investments	5,646	14,199
Interest on securities:		
Taxable	11,025	12,109
Nontaxable	1,708	1,109
Trading account	1,277	400
Lease financing	2,431	2,539
Total interest income	63,068	74,542
Interest expense:		
Interest on savings deposits	12,904	14,368
Interest on time deposits under $100,000	9,560	13,527
Interest on time deposits $100,000 or more	1,018	1,462
Interest on foreign deposits	1,013	675
Interest on borrowed funds	6,447	11,865
Total interest expense	30,942	41,897
Net interest income	32,126	32,645
Provision for loan losses	3,945	6,805
Net interest income after provision for loan losses	28,181	25,840
Other operating income:		
Service charges on deposit accounts	4,664	4,036
Bankcard discounts and fees	2,668	1,999
Other service charges, commissions and fees	4,736	3,942
Trust income	1,173	1,007
Investment securities gains (losses), net	(4)	72
Trading account income	135	468
Other income	4,400	1,709
Total other operating income	17,772	13,233
Other operating expenses:		
Salaries and employee benefits	15,484	14,314
Occupancy, net	1,823	1,804
Furniture and equipment expense	1,755	1,747
Other real estate expense	1,510	743
Bankcard interchange discounts and fees	2,332	1,743
Legal and professional services	577	490
Supplies	1,075	924
Postage	864	894
F.D.I.C. premiums	1,431	1,160
Amortization of intangible assets	1,132	863
Other expenses	7,639	3,964
Total other operating expenses	35,622	28,646
Income before income tax expense	10,331	10,427
Income tax expense	2,685	3,635
Net income	$ 7,646	$ 6,792
Weighted average common and common equivalent shares outstanding	6,142	6,031
Net income per share applicable to common stock	$1.24	$1.13

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ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

(In thousands)	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 200,574	$ 235,725
Money market investments:		
Interest-bearing deposits	267,456	345,029
Federal funds sold and security resell agreements	248,215	221,100
Other money market investments	-	122,135
Trading account securities	42,692	36,087
Investment securities at cost (approximate market value $777,217 and $763,357)		
Taxable	658,755	670,424
Nontaxable	106,985	81,687
	765,740	752,111
Loans, leases and other receivables:		
Loans held for sale at cost, which approximates market	190,153	153,782
Commercial loans	604,562	614,998
Real estate loans—mortgage	191,378	196,449
Real estate loans—construction	79,383	85,512
Installment loans	730,978	701,116
Lease financing	117,621	122,620
Accrued interest and other receivables	33,429	40,186
	1,947,504	1,914,663
Less:		
Unearned income and fees, net of related costs	27,080	28,496
Allowance for loan losses	55,235	56,263
	1,865,189	1,829,904
Premises and equipment, at cost, less accumulated depreciation	51,196	50,319
Amounts paid in excess of net assets of acquired businesses	12,622	12,722
Other real estate owned	10,915	13,176
Other assets	28,413	27,527
Total assets	$3,493,012	$3,645,835

Liabilities and Shareholders' Equity	March 31, 1992	December 31, 1991
Deposits:		
Demand deposits	$ 468,648	$ 520,313
Savings deposits	445,602	621,421
Money market deposits	939,738	673,786
Time deposits under $100,000	648,273	687,588
Time deposits $100,000 or more	71,603	85,260
Foreign deposits	97,912	70,146
	2,671,776	2,658,514
Federal funds purchased and security repurchase agreements	354,725	442,610
FHLB advances and other borrowings	127,573	203,685
Accrued liabilities	50,471	53,259
Long-term debt:		
Floating rate notes	37,450	42,950
Senior notes, 8.75%	9,600	9,600
Equity commitment notes, 9.25%	16,000	16,000
Industrial revenue bonds	7,490	7,490
Other long-term debt	5,053	5,094
Total liabilities	3,280,138	3,439,202
Shareholders' equity:		
Capital stock:		
Parity preferred stock, without par value; authorized 300,000 shares; issued and outstanding, none	–	–
Preferred stock, without par value; authorized 500,000 shares; issued and outstanding, none	–	–
Common stock, without par value; authorized 15,000,000 shares; issued and outstanding, 6,098,564 and 6,074,422 shares	51,623	50,831
Retained earnings	161,251	155,802
Total shareholders' equity	212,874	206,633
Total liabilities and shareholders' equity	$3,493,012	$3,645,835

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net income	$ 7,646	$ 6,792
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	3,945	6,805
Write-downs of other real estate owned	1,490	618
Depreciation of premises and equipment	1,355	1,313
Amortization of premium on core deposits and other intangibles	1,132	863
Amortization of net premium/discount on investment securities	1,450	363
Accretion of unearned income and fees, net of related costs	(1,416)	98
Net (increase) in trading account securities	(6,605)	(21,063)
Net (gain) loss on sales of investment securities	4	(72)
Proceeds from loans held for sale	142,101	177,262
Increase in loans held for sale	(178,484)	(138,387)
Net (gain) on sales of loans, leases and other assets	(326)	(437)
Net (gain) on sales of other real estate owned	(57)	(176)
Change in accrued income taxes	6,802	3,027
Change in accrued interest receivable	4,369	1,131
Change in accrued interest payable	(1,619)	(1,314)
Change in other assets	(1,760)	265
Change in accrued liabilities	(7,971)	(4,191)
Net cash provided by operating activities	(27,944)	32,897
Cash flows from investing activities:		
Net decrease in money market investments	172,591	156,827
Proceeds from sales of investment securities	1,682	26,042
Proceeds from maturities of investment securities	44,540	20,042
Purchases of investment securities	(62,124)	(42,757)
Net (increase) decrease in loans and leases	(6,261)	1,784
Principal collections on leveraged leases	314	713
Proceeds from sales of premises and equipment	14	11
Purchases of premises and equipment	(2,241)	(1,544)
Proceeds from sales of other real estate owned	963	1,339
Proceeds from sales of other assets	348	73
Purchases of other assets	(173)	(900)
Net cash provided by investing activities	149,655	161,630
Cash flows from financing activities:		
Net increase (decrease) in deposits	13,262	(75,589)
Net change in short-term funds borrowed	(163,178)	(207,905)
Payments on leveraged leases	—	(490)
Payments on long-term debt	(5,541)	(2,638)
Proceeds from issuance of common stock	792	60
Dividends paid	(2,197)	(2,160)
Net cash (used in) financing activities	(156,862)	(288,722)
Net decrease in cash and due from banks	(35,151)	(94,195)
Cash and due from banks at beginning of period	235,725	288,311
Cash and due from banks at end of period	$ 200,574	$ 194,116

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Retained Earnings

(Unaudited)

(In thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	Twelve Months Ended December 31 1991
Balance at beginning of period	$155,802	$135,176	$135,176
Add:			
Net income	7,646	6,792	29,124
	163,448	142,168	164,500
Deduct:			
Cash dividends:			
Common, per share $0.36 in 1992 and $0.36 and $1.44 in 1991	2,197	2,160	8,698
Balance at end of period	$161,251	$140,008	$155,802

Note — Certain amounts in the 1991 consolidated financial statements have been reclassified to conform to the 1992 presentation.

ZIONS BANCORPORATION AND SUBSIDIARIES

Allowance for Loan Losses

(Unaudited)

(In thousands)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	Twelve Months Ended March 31, 1992	Twelve Months Ended March 31, 1991
Balance at beginning of period	$56,263	$59,015	$59,846	$60,024
Allowance for loan losses of companies acquired or (sold)	—	—	—	(1,224)
Add:				
Provision for losses	3,945	6,805	20,689	20,150
Deduct:				
Net loan charge-offs	4,973	5,974	25,300	19,104
Balance at end of period	$55,235	$59,846	$55,235	$59,846

ZIONS BANCORPORATION AND SUBSIDIARIES

Nonperforming Assets

(Unaudited)

(In thousands)	March 31, 1992	March 31, 1991	December 31, 1991
Nonaccrual loans	$24,718	$31,628	$27,291
Restructured loans	3,233	9,887	3,225
Other real estate owned	10,915	20,481	13,176
Total	$38,866	$61,996	$43,692
% of Net loans and leases* and other real estate owned	2.01%	3.50%	2.30%
Accruing loans past due 90 days or more	$ 3,538	$11,339	$5,131
% of Net loans and leases*	.18%	.65%	.27%

*Includes loans held for sale.

ZIONS BANCORPORATION AND SUBSIDIARIES

Net Interest Income and Rates

(Unaudited)

(In thousands)	Three Months Ended March 31, 1992 Average Balance	 Amount of Interest*	 Average Rate
Money market investments:			
Interest-bearing deposits	$ 228,916	$ 2,685	4.76%
Federal funds sold and security resell agreements	255,043	2,866	4.56%
Other money market investments	7,177	95	5.37%
Total money market investments	491,136	5,646	4.66%
Securities:			
Investment securities — taxable	668,751	11,025	6.69%
Investment securities — nontaxable	98,467	2,512	10.35%
Trading account securities	36,063	1,277	14.36%
Total securities	803,281	14,814	7.48%
Loans:			
Loans held for sale	162,272	2,993	7.48%
Loans and leases**	1,714,080	40,419	9.56%
Total loans	1,876,352	43,412	9.38%
Total earning assets	$3,170,769	$63,872	8.17%
Interest-bearing deposits:			
Savings deposits	$ 460,035	$ 4,554	4.01%
Money market deposits	874,544	8,350	3.87%
Time deposits under $100,000	666,183	9,560	5.82%
Time deposits $100,000 or more	78,501	1,018	5.26%
Foreign deposits	86,766	1,013	4.73%
Total interest-bearing deposits	2,166,029	24,495	4.59%
Borrowed funds:			
Federal funds purchased and security repurchase agreements	336,159	3,055	3.69%
FHLB advances and other borrowings	129,726	1,509	4.72%
Long-term debt	86,766	1,883	8.80%
Total borrowed funds	552,651	6,447	4.73%
Total interest-bearing funds	$2,718,680	$30,942	4.62%
Net interest income		$32,930	
Net interest margin			4.18%
Spread on average interest-bearing funds			3.55%

*Taxable equivalent rates used where applicable.

**Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

ZIONS BANCORPORATION AND SUBSIDIARIES
Net Interest Income and Rates
(Unaudited)

(In thousands)	Three Months Ended March 31, 1991		
	Average Balance	Amount of Interest*	Average Rate
Money market investments:			
Interest-bearing deposits	$ 216,540	$ 4,137	7.75%
Federal funds sold and security resell agreements	455,673	8,788	7.82%
Other money market investments	71,490	1,274	7.23%
Total money market investments	743,703	14,199	7.74%
Securities:			
Investment securities — taxable	543,093	12,109	9.04%
Investment securities — nontaxable	50,362	1,631	13.13%
Trading account securites	15,565	400	10.42%
Total securities	609,020	14,140	9.42%
Loans:			
Loans held for sale	96,842	2,236	9.36%
Loans and leases**	1,665,556	44,489	10.83%
Total loans	1,762,398	46,725	10.75%
Total earning assets	$3,115,121	$75,064	9.77%
Interest-bearing deposits:			
Savings deposits	$ 470,995	$ 5,734	4.94%
Money market deposits	647,277	8,634	5.41%
Time deposits under $100,000	756,845	13,527	7.25%
Time deposits $100,000 or more	86,927	1,462	6.82%
Foreign deposits	47,867	675	5.72%
Total interest-bearing deposits	2,009,911	30,032	6.06%
Borrowed funds:			
Federal funds purchased and security repurchase agreements	331,247	4,894	5.99%
FHLB advances and other borrowings	259,894	4,731	7.38%
Long-term debt	92,376	2,240	9.83%
Total borrowed funds	683,517	11,865	7.04%
Total interest-bearing funds	$2,693,428	$41,897	6.31%
Net interest income		$33,167	
Net interest margin			4.32%
Spread on average interest-bearing funds			3.46%

*Taxable equivalent rates used where applicable.

**Net of unearned income and fees, net of related costs.
Loans include nonaccrual and restructured loans.

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Average Balance Sheets

(Unaudited)

(In thousands)	Three Months Ended March 31,	
Assets	1992	1991
Cash and due from banks	$ 206,517	$ 196,002
Money market investments:		
Interest-bearing deposits	228,916	216,540
Federal funds sold and security resell agreements	255,043	455,673
Other money market investments	7,177	71,490
Trading account securities	36,063	15,565
Investment securities:		
Taxable	668,751	543,093
Nontaxable	98,467	50,362
Loans, leases and other receivables:		
Loans held for sale	162,272	96,842
Commercial loans	624,143	622,006
Real estate loans	260,366	245,097
Installment loans	706,557	672,644
Lease financing	120,773	113,325
Other receivables	30,402	40,548
	1,904,513	1,790,462
Less:		
Unearned income and fees, net of related costs	28,161	28,064
Allowance for loan losses	57,298	58,926
	1,819,054	1,703,472
Premises and equipment, at cost, less accumulated depreciation	50,589	51,793
Amounts paid in excess of net assets of acquired businesses	12,672	13,073
Other real estate owned	11,991	18,706
Other assets	28,380	34,941
Total assets	$3,423,620	$3,370,710
Liabilities and Shareholders' Equity		
Deposits:		
Demand deposits	$ 455,753	$ 433,077
Savings deposits	460,035	470,995
Money market deposits	874,544	647,277
Time deposits under $100,000	666,183	756,845
Time deposits $100,000 or more	78,501	86,927
Foreign deposits	86,766	47,867
	2,621,782	2,442,988
Federal funds purchased and security repurchase agreements	336,159	331,247
FHLB advances and other borrowings	129,726	259,894
Accrued liabilities	48,806	58,352
Long-term debt	77,393	92,376
Total liabilities	3,213,866	3,184,857
Shareholders' equity:		
Parity preferred stock	–	–
Preferred stock	–	–
Common stock	51,227	48,161
Retained earnings	158,527	137,692
Total shareholders' equity	209,754	185,853
Total liabilities and shareholders' equity	$3,423,620	$3,370,710

Officers

Harris H. Simmons
President and
Chief Executive Officer

Roy W. Simmons
Chairman of the Board

Gary L. Anderson
Senior Vice President
Finance and Secretary

Gerald J. Dent
Senior Vice President
Credit Administration

James W. Rail
Senior Vice President
Operations & Information Systems

Walter E. Kelly
Controller

Dan Burch
Vice President
Auditing

Thomas J. Harding
Vice President
Credit Administration

David E. Johnson
Vice President
Corporate Planning & Development

Ronald L. Johnson
Vice President
Credit Examination

John A. Payne
Vice President
Taxation & Financial Planning

Carl W. Reed, Jr.
Vice President
Credit Administration

Directors

R. D. Cash[2,3]
Chairman, President and Chief Executive
Officer of Questar Corp.
Salt Lake City, Utah

William P. Harlin[3]
President of W.P. Harlin
Construction Company
Salt Lake City, Utah

Robert N. Sears[2]
Investments
St. George, Utah

Harris H. Simmons[1,4]
President and Chief Executive Officer
of the Company, and President and
Chief Executive Officer of
Zions First National Bank
Salt Lake City, Utah

L.E. Simmons[2]
Executive Vice President of
Simmons & Company, International
Houston, Texas

Roy W. Simmons[1,4]
Chairman of the Board of the Company,
and Chairman of the Board of
Zions First National Bank
Salt Lake City, Utah

I.J. Wagner[1,3]
President of The Keystone Company
Salt Lake City, Utah

Dale W. Westergard
Retired
Former Executive Vice Preident
of the Company
Bountiful, Utah

Director Emeriti

David L. McKay
of Counsel in the law firm of
McKay, Burton, & Thurman
Salt Lake City, Utah

Richard A. Van Winkle
Retired
Former Executive Vice Preident
of the Company
Salt Lake City, Utah

[1] Member, Executive Committee

[2] Member, Audit Committee

[3] Member, Executive Compensation Committee

[4] Member, Credit Review/Compliance Committee

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Salt Lake City, Utah 84133

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